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PAKISTAN - A DEVELOPING ECONOMY

New Edition
OF
ECONOMICS OF PAKISTAN

Volume 1

by
Dr. S. M. AKHTAR
M.A., PH.D. (LONDON)

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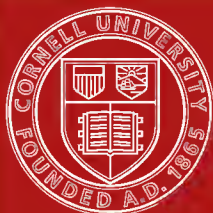
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Preface

“PAKISTAN—A DEVELOPING ECONOMY” is the new and 10th edition of my well-known work *Economics of Pakistan*, under a changed name. The new title is considered more appropriate for the study of an economy passing through the process of planned economic development.

Most chapters of the book have been rewritten to give a developmental orientation to the material. An entirely new chapter on “Problems of Underdevelopment” has been supplied at the beginning of the book to provide the necessary background for studying the economic problems facing Pakistan. The statistical material, as far as possible, has been brought upto-date.

Vol. II of this work is under preparation and is expected to be out shortly. The Urdu version of the book is also being published soon.

I am indebted to Miss A.N. Sattar, M.A. for helping me in the production of this edition.

S.M. AKHTAR

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Lahore
July, 1, 1966.

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CHAPTER 1

Problems of Underdevelopment

1 · 1 Extent of Underdevelopment

Before we embark upon the study of the facts and problems of the economy of Pakistan and the process of economic development through which it is passing, it will be worthwhile to have a general idea of the nature and extent of underdevelopment of the present-day world and the problems which are associated with the promotion of economic development and growth in the developing countries.

No accurate and entirely satisfactory measure exists to have a comparative idea of the extent of underdevelopment or development in the various countries of the world. There are various indicators, however, from which we may judge the level of material living in various parts of the world. The most commonly used measure is *per capita* income which is arrived at by dividing the value of the total national product during the particular year or the period by the number of persons living in the country concerned. Table No. 1 sets out per capita income of fifty-five countries in U.S. dollars as published by the United Nations for the period 1954-56. The Table reveals enormous disparities ranging from \$50 for Malaya and China to almost \$2,000 for U.S.A. It will be noted that Pakistan comes almost at the bottom with \$70 per annum as its per capita income.

Even this measure of comparative economic status of the countries is not entirely satisfactory. As a matter of fact, it underestimates the economic position of the so-called underdeveloped countries, because in the computation of national income the non-monetised

Table No. 1

Estimate of Per Capita Net National Product of 55 Countries in U.S. Dollars

Annual Average, 1952-54¹

(At Factor Cost)

Range in U.S. Dollars	Africa		America		Asia		Europe		Oceania	
	Country	Per Capita	Country	Per Capita	Country	Per Capita	Country	Per Capita	Country	Per Capita
Over 1,000			U.S.A. Canada	1,870 1,310			Switzerland	1,010		
750-1,000							Sweden	950	New Zealand	1,000
							Luxumburg	890	Australia	950
							Belgium	800		
							U.K.	780		
							Iceland	780		
							Denmark	750		
500-749			Venezuala ²	540			France	740		
							Norway	740		
							Finland	670		
							Germany	510		
							Netherlands	500		

250-499	Union of South Africa	300	Argentina Puerto Rico Chile Cuba Columbia Panama	460 450 360 310 250 250	Israel Malaya Lebanon	470 310 260	Ireland Austria Italy	410 370 310
Under 250	Egypt Rhodesia and Nuyasa land Belgian Congo Kenya Uganda	120 100 70 60 50	Brazil Mexico ³ Jamaica Dominican Republic Guatemala Ecuador Honduras Paraguay Peru	330 220 180 160 160 150 150 140 120	Turkey Japan Philippines Ceylon Thailand Korea Pakistan India Burma	210 190 150 110 80 70 70 60 50	Greece Portugal	220 200

1. Source: United Nations, *Per Capita National Product of 55 Countries*, N.Y., 1957.

2. 1952 and 1953.

3. 1952.

sector, that is, the sector constituted by the products which do not pass through the market, is not fully taken care of. In Pakistan and other similar countries, for example, many goods and services are produced at home for direct consumption and they fail to be evaluated for purposes of national income accounting. But even if we allow for this and other difficulties of measurement and comparison, the general conclusion is not likely to be modified that vast disparities do exist in living standards enjoyed by people in the different countries of the world. And when we know that these are only averages, the vast majority of the persons living in the poorer countries must be eking out a bare subsistence. That enormous masses fail to get adequate food, clothing, shelter, education and recreation, is borne out by other indicators which show a direct correspondence between low per capita income, low life expectancy resulting from high mortality, low degree of literacy and meagre supply of the most ordinary comforts of life.

1 · 2 Consciousness of Underdevelopment

As far back as one can look into history, the vast majority of mankind have always existed at a very low living standard and only a few fortunate owners of natural resources, most important being land, were able to grow fat on the fruit of the soil and of the labour of the masses whom they held under their sway. Perhaps the average common man even in currently underdeveloped countries enjoys a better material existence and, more importantly, a higher sense of self-respect and freedom, than his ancestors did only a few centuries back. What is new at the present time is the general realisation of this state of poverty, particularly in comparison with the people of the more advanced countries, who have forged head to higher living standards by taking advantage of the technological advances ushered in by the Industrial Revolution. This consciousness has led to a strong desire for economic development on the part of these people, or at any rate the vocal and effective portion of them, for higher living standards comparable with more advanced and industrialised countries. As a result of the developments caused by and following the two great world wars, particularly World War II, a large number of colonial and dependent areas and countries of the world have achieved political independence. The nationalistic urge which led to this achievement is also the compelling force behind the desire of these countries to achieve economic development which is regarded as the *sine qua non* or preserving and maintaining their newly-won freedom. Fortunately,

the political conditions of the contemporary world are helping rather than hindering the new aspirations of these countries. The ideological conflict which has emerged since the end of World War II between the communist and non-communist blocks has enlisted the support of the developed countries to the desire for development on the part of underdeveloped nations. Each ideological block is trying to enlist the sympathies and support of this huge multitude of mankind which has no strong allegiance for either side.

Apart from political considerations, social and humanitarian motives may have also something to do with the willingness with which the general masses of the developed countries, particularly where their voices are effective, are supporting the policies of their Governments to assist the development efforts of the developing countries. The existence of the United Nations has also provided a machinery for gathering information, a forum for the discussion of the problems of the underdeveloped areas and some important institutions to help them in solving their problems. The result is that developed as well as underdeveloped countries are now ready and willing to take the necessary measures in order to achieve a worthwhile rate of economic growth in the less fortunate areas, and sizable efforts have already been made to achieve this end.

1 · 3 Process of Economic Development

This brings us to the nature of the process of economic development itself. It needs to be emphasised that economic development is not a simple process but is highly complicated and involves many social, political and economic elements to the consideration of which now we turn.

(a) *Social elements.* To start with, economic development requires a favourable social environment which implies several things. Firstly, a desire on the part of the people of the country concerned, for material improvement. Secondly, there must be a realisation that it is possible to achieve such an improvement. And, thirdly, they must have the conviction that their efforts at improvement will enable them to enrich their own lives rather than enable somebody else to get fat on them. This is partly a matter of the past experience of the people and partly that of the institutions under which they live. Economic development requires that the attitudes and institutions of the people must be flexible enough to change with the needs of the time. Such flexibility is difficult to ensure when the vast majority of the

people are illiterate and hence not amenable easily to the impact of new ideas. The development in the modern means of communication and transport within and between countries has, however, made this problem less difficult than one would expect. The frequency of foreign travel and the influence of the Press, the radio and the films have created conditions favourable for bringing about the necessary change in attitudes and institutions.

(b) *Political elements.* In the political field, political stability is the most important factor. Frequent changes in Government and Government policies are inimical for economic development. The Government has to be strong, honest and interested in the welfare of the people. The administrative machinery of the Government has to have a high degree of efficiency and it should be incorruptible. Unfortunately, such conditions are not commonly found in underdeveloped countries. In most underdeveloped countries political power is in the hands of vested interests, usually big landlords who are not expected to favour any radical change in the institutional set-up which is so much to their advantage. Where democratic institutions are tried, they create further confusion by leaving the field to unscrupulous political adventurers because of the illiteracy and lack of political training of the masses. In administration in such countries nepotism and corruption are rampant. This is partly due to limited opportunities for honest material advancement and partly to the decay of moral standards under the irresponsible imperialistic regimes under which previously the people have lived for generations.

No doubt, it is difficult to change attitudes and institutions, but it is not impossible. If we look into the history of currently advanced countries, we find that before they received the impact of economic development they were subject to similar psychological and social disabilities, but they overcame them in due course of time. Europe in the Middle Ages was in the grip of illiteracy, ignorance and superstition. Similar were the conditions in Russia before the Revolution of 1917 and in Japan before the Meiji Restoration of 1868. Underdeveloped countries of today are living under more favourable conditions, because examples and influences of more advanced countries are available to them and thus they can bring about the change over a shorter period of time and with greater smoothness. Moreover, they can avoid the mistakes of the pioneers. Further, economic growth itself is a great agent for bringing about change. Economic develop-

ment involves urbanisation and industrialisation which can bring about quick changes in the psychological attitudes and institutional framework of a society. Such changes are actually occurring in many underdeveloped countries of today including Pakistan under the impact of the development process.

(c) *Economic factors.* Economic growth implies long-run or secular increase in per capita productivity resulting in the increase in per capita income. Economic growth, as an increase in productivity, is the function of the following basic elements:

- (i) Quantity and quality of natural resources.
- (ii) Quantity and quality of labour force and incentives available for work.
- (iii) Quantity and quality of the capital stock available or potentially available.
- (iv) The state of technology.

Promotion of economic growth, therefore, implies mobilisation of the human and material resources of the country through:

- (a) promoting capital accumulation by mobilising domestic savings and supplementing them, if necessary, from external sources.
- (b) improving the health, education and skills of the population as labour force.
- (c) increase in technological knowledge through research and foreign technical assistance.
- (d) improving the institutional and organisational framework.

It is not difficult to see that all these factors are interrelated and act and react on each other. The most important and most difficult problem is that of the start. An initial increase in per capita income, brought about in whatever manner, makes further increases easier. It increases the saving potential and hence leads to a larger volume of investment and capital formation and thus increases productivity and incomes. Higher per capita income ensures better food, better health and better education of the working force, and hence its greater productivity and income-earning capacity. The underdeveloped countries are thus involved in what Nurkse calls the "vicious circle of poverty" or what Professor Leibenstein has called the quasi-stable low-level equilibrium. The problem is how to break such a circle and to start the process of self-generating growth. Once what Rostow calls the "Take-off" stage has been reached, the economy is in a position

to achieve self-sustaining growth. It is the initial push that is most significant and difficult.

Several elements have been emphasised as preconditions for the "Take off." There is no general rule. Different countries have achieved this stage under different conditions. In England it was an unplanned and unconscious process. Private initiative was the major agency for development. The enclosures movement and the inventions and discoveries of the eighteenth century, among other things, established preconditions for the take-off. In Japan it was the fear of foreign domination which sparked off the forces leading to the political revolution and changed the character of the State. It was the initiative of the State which started the process of economic growth and laid the foundations upon which later on private enterprise built the superstructure. In the U.S.S.R. the new ideology which brought about the political revolution ultimately led to the establishment of a system of centralised economy which achieved economic growth through planning and complete central direction. The economic development of U.S.A. was brought about by private initiative on the part of a very earnest and adventurous population, mainly non-conformist emigrants from Europe. Their efforts were made effective and brought abundant fruit due to the enormous wealth and natural resources they found in the country of their adoption.

In the currently underdeveloped countries the major propelling force is the spirit of nationalism and the desire for preserving their newly-found and hard-earned freedom by acquiring military strength through economic strength. Then there are the growing disparities of living standards between them and the more advanced countries.

The most important and strategic factor for economic development is capital formation. It is an essential factor, though by no means the only needed factor. Capital formation requires that an adequate proportion of the national income must be saved and reinvested for further increase in national income. It is believed that, in a general way, a 1% increase in national output requires a saving ratio 3% to 4% of the national income of the previous period. The saving ratio in underdeveloped countries is hardly 5% to 6%. This is enough to increase the national income at the most by 1½%. This is not adequate even to maintain the current living standards of their growing populations. In most underdeveloped countries the

opulation is growing at the rate of 2% to 3% per annum. This means that, to maintain their current standards of living or per capita income, a saving ratio of 10% to 12% of the national income is required. If the per capita income is to increase at a modest rate of 2% per annum, a saving rate of 15% to 20% would be needed. Thus Lewis's statement¹ that the main task of economic development is to increase the saving ratio from 5% to 12% of the national income, is a most modest estimate. Considering that the saving rate in underdeveloped countries is 5% to 10%, this leaves a huge gap to be filled to achieve the necessary quantity of saving. This may partly be achieved through promoting domestic saving by various means, but a substantial portion of that will have to be filled through loans and grants from the more developed countries. This emphasises the important role which currently advanced countries must play with respect to capital formation in the underdeveloped countries of the world.

4 Obstacles to Economic Development

Underdeveloped countries differ from each other in many respects and, therefore, the obstacles they have to encounter in the way of development are not necessarily the same. There are, however, certain elements which can be listed as basic obstacles which can be found in varying degrees in different countries. Among these are the following.

(a) *Inadequacy of natural resources.* Natural resources are comprised of the geographical configuration, climate, water resources, minerals, etc. No country in the world possesses all the resources in the necessary quantities and qualities. That is why there is international trade. But a fair degree of resource base is needed to start and maintain the process of economic growth.

The importance of this element should not, however, be over-exaggerated. Firstly, because natural resources are not absolutely fixed. Their quality and quantity and their very economic significance depend upon knowledge and technology. Countries meagerly gifted with natural resources have achieved remarkable degrees of economic growth. Examples are the Netherlands and Switzerland. The former has even made land out of the sea. The latter has overcome resource deficiencies through human skill. Secondly, inputs are substitutable. For instance, a country with a limited area may increase its production through greater use of capital and labour. Thirdly, natural resources can be

1. W. A. Lewis, *The Theory of Economy Growth*,

imported. For instance, Japan's industrial structure is based mainly on imported raw materials. Even U.K., the leader in the field of industrialisation, lacks non-ferrous metals and has to depend on imports.

Thus natural resources may be a handicap but it can be overcome through human ingenuity.

(b) *Labour resources.* Labour has both quantitative and qualitative aspects. Shortage of labour in sparsely populated countries may be a handicap but in many underdeveloped countries, the problem is of population pressure leading to unemployment and under-employment. Here the problem may be of slowing down the growth rate of population in order to adjust it with the possible growth rate of the economy. This is a long-period programme and does not give immediate results.

The second problem is that of the quality and the skills of the population. The people of most underdeveloped countries suffer malnutrition. The incidence of disease and ill-health is high. Moreover, there is almost universal illiteracy and ignorance. All this leads to low efficiency and low productivity. The need for improvement in sanitation, medical aid, food supply is obvious. Further, there is the need for educational and training institutions. Here again low per capita income is both a cause and an effect and the vicious circle has to be broken.

(c) *Limited market.* Unless there are enough purchasers to buy the goods produced, the development process in the country cannot go far. In fact, one of the reasons given for the unwillingness of foreign private capital to establish industries in the underdeveloped areas is the limited market which is unlikely to absorb the products of the industries at profitable prices. Market limitations are primarily the result of the low per capita income of the people and to some extent of the absence of adequate transport facilities. An adequate investment in transport can serve two purposes in this context. Firstly, it can distribute incomes among the people who will work on these projects, thus increasing their purchasing power and hence demand for goods of all kinds. And, secondly, by imparting a greater degree of mobility to products and people it can widen the extent of the market.

In addition to the domestic market, attempts should be made to have access to foreign markets. But for this the products must be competitive in price and quality.

(d) *Deficiency of savings.* As we have already noted, saving is crucial for economic development and capital formation, and

it is a function of income. The problem is how to increase saving when income is so low. A certain amount of saving is possible even in a very poor society. Measures must be taken to give incentives for saving and investment and to create the necessary institutions through which savings can be pooled and mobilised for investment. Stable monetary conditions and confidence in the Government and its policies are preconditions for promoting the savings habit among the people. The Government can bring about forced saving through taxation and it can induce foreign aid to supplement domestic savings. Moreover, a certain amount of capital formation can be achieved through the use of under-employed labour on the lines suggested by Nurkse. But there are many difficulties and limitations in the way of this method. This, however, is no reason for not trying it.

1.5 Conditions in Pakistan

Pakistan has been passing through a process of economic development during the seventeen years of her life as an independent State. During the last ten years a more systematic effort has been made through the first two Five-Year Plans. The period of the Second Plan will end by 30th June, 1965. This will be followed by the Third Plan which is being prepared at the moment. The rest of this book will be confined to the study of the economic situation in Pakistan and its problems as a developing economy. In the light of our above discussion, however, a few words will be in order about the position of Pakistan with respect to the elements involved in economic growth already mentioned above.

On the whole, we might say that social environment is not unfavourable for development in Pakistan. Culturally, Pakistanis are not indifferent to material advancement. There is a strong desire among the people to raise their living standards. The impact of the British rule and the energies released during the struggle for independence, combined with the recent foreign contacts and influences, have further stimulated this innate desire. Some institutional changes have also been going on, partly through the deliberate effort of the Government and partly through the process of urbanisation which has been quickened in recent years. There is, however, still a hard core of conservatism born of ignorance and illiteracy among the mass of the people which needs to be broken. This is slowly being achieved through the educational process.

During the first ten years of her life as an independent State, Pakistan passed through a period of political instability. For various reasons the country failed to frame its constitution and the politicians at the top (with a few honourable exceptions) were concerned mainly with achieving personal power at any cost. The problem of economic development received only a secondary attention, which is shown by the fact that the First Five-Year Plan took three years after the beginning of its period to achieve the final approval of the Government.

Since October 1958, the country has had the advantage of a stable Government which is giving due attention to the problem of development. As regards the administrative machinery, due to the migration of the non-Muslim element predominating in it, it was seriously depleted at independence. Only a few seasoned administrators were available when the country became free. The gaps had to be filled up with inexperienced personnel placed in highly responsible jobs. The quality of administration was thus lowered and corruption and nepotism became the order of the day. The present Government, after taking office, took measures to eradicate this evil, but it is doubtful whether this problem has been tackled successfully so far.

On the other hand, some reforms have taken place in the monetary and fiscal systems of the country.

So far as the economic elements of the situation are concerned, Pakistan is gifted with a fair amount of natural resources in the way of cultivable land, water supply, climate and some minerals, though she has serious deficiencies in certain important metals. With respect to man-power, quantitatively speaking, the country has plenty of it, in fact more than it can use productively at the moment, but there are qualitative deficiencies. There is widespread under-nourishment, high incidence of sickness and comparatively high rate of mortality, in spite of the recent downward trends in death rates. People have a good aptitude for acquiring skills when opportunities are given, and attempts are being made to expand educational and training institutions to improve the quality of the labour force. The state of technology in the agricultural sector is still very primitive and the rate of change is extremely slow. In the field of industrial development, however, modern technology is being utilised and the industrial sector is forging ahead, though the size of this sector is still

comparatively small in relation to the total economy.

As regards capital accumulation, the saving rate has now increased from about 5% of the national output ten years ago to about 8%. At present the marginal rate of saving (proportion saved from the increased income) is said to be 25%. Saving, however, is still inadequate to maintain the necessary degree of economic growth. It has been supplemented by foreign aid, thus achieving the total investment rate of about 12% to 13% of the national income. This is only slightly above the level needed for maintaining the current per capita income, because of the high rate of population growth—which is well above 2% per annum.

In spite of the sizable amount of economic development that has taken place during the last fifteen years or so, Pakistan is still among the poorest countries of the world. Its per capita income of less than Rs. 300 per annum is hardly enough to maintain the common man at an adequate subsistence level, not to speak of comforts. There is still widespread ignorance, illiteracy, squalor, disease and premature deaths. Food is well below accepted nutritional standards, the caloric intake being hardly above 2,000 calories per head per day, while it should be nearer 3,000 calories. The consumption of cloth is only fourteen yards per head per annum which is very inadequate. In urban areas alone the housing shortage has been estimated at 700,000, while rural housing is of a very low standard. The literacy percentage is only 15 and the majority of children of school-going age are out of schools. There is only one doctor for 7,000 of population.

These conditions point towards the necessity of achieving a high rate of economic growth. Economic growth is being obstructed by high population pressure, lack of skilled workers, managers and administrators, primitive technology, particularly in agriculture, frequency of droughts and floods, widespread waterlogging and salinity and the lack of certain important natural resources. There are, further, problems of too much dependence on foreign aid, geographical and sectoral imbalance in growth, increasing degree of under-employment and unemployment. A tremendous effort at development is needed.

With this background, we are now in a position to study the economy of Pakistan sector by sector in greater detail and to pinpoint the problems involved and the solutions which are being tried or could be tried.

CHAPTER 2

The Land and Its Resources

2 · 1 Birth and Location

Pakistan came into existence in the middle of August 1947 as a result of the partition of the Indian sub-continent. Since the principle on which the partition took place was that contiguous Muslim majority areas should form a separate State of Pakistan, the new country emerged in two blocks, (now) East Pakistan and West Pakistan, separated from each other by over a thousand miles of foreign (Indian) territory.

These two wings of the country are differently gifted as regards area, resources and population. Thus West Pakistan, with 84·9% of the area, has 45·8% of the population and East Pakistan, with only 15·1% of the total area of the country, contains 54·2% of its population.

East Pakistan lies between longitudes 88°E. and 93°E. and latitudes 20°N. and 26° 30'N. This wing was created by the division of the old Indian provinces of Bengal and Assam. It is bounded by Burma and the Indian province of Assam in the east, Assam again in the north, Bihar and West Bengal provinces of India in the west and the Bay of Bengal in the south. Through its port of Chittagong and the newly-developed port of Chalna/Mangla it has access by sea to the various countries of South-East Asia and beyond.

West Pakistan lies between parallels 61°E. and 75°E. and latitudes 4°N. and 37°N. It is located to the north-west of the Indian sub-continent. This wing has common frontiers with Afghanistan and Iran in the west. In the south-west lies the Arabian Sea which, through

the Persian Gulf, gives it access to Iraq and Arabia and, through the Indian Ocean and the Red Sea, to Egypt and beyond.

2 · 2 The Consequences of Two Wings

The disadvantages of having the country in the form of two separate wings are quite serious. Politically, the country has to be managed as one integral whole. This in itself is not an easy task and many points of conflict arise in the matter of delegation of political power, the distribution of portfolios and appointments in the administrative machinery of the Central Government, the distribution, of the real and financial burdens of defence, the location of Central administrative units, the balance of power in the National Assembly, etc. It was due to the difficulties in arriving at compromises on all these matters that the framing of the Constitution of the country was delayed.

But, apart from these administrative and political difficulties, there are serious economic implications of having two parts of the same country separated by such a long distance. Obviously, men and materials cannot move so easily, quickly and cheaply between the two wings as they do within each of the wings. The land-route passes through India with which the country's relations have been strained all along. In any case a distance of over 1,000 miles would be time-consuming and expensive to cover, even if there were no political barriers in the way. The sea-route is still more lengthy, involving a distance of over 3,000 miles. Added to this is the fact that Pakistan has no shipping facilities of its own worth the name. It is cheaper for East Pakistan to import certain articles from Great Britain than from West Pakistan because "sea freights from Karachi to Chittagong are higher than from U.K."¹ Inter-wing trade is, therefore, very much restricted even by the sea-route. The air-route is quicker but, in spite of the subsidy given by the airline (which is a burden on the tax-payer since it is subsidised by Government), it is still beyond the capacity of all but the highest income groups. As to commodities, very few of them can bear such high transport costs.

The result of this lack of mobility of commodities and factors of production is that, for most purposes, trade between the two wings of the same country is of the nature of international trade and the two economies fail to adjust with each other in the matter

1, O.M.K. Spate, *India and Pakistan*, Second Edition, 1957, p. 309.

of prices of factors and commodities. Thus there arise vast differences between wage levels and prices, particularly of consumer goods. Normally, such differences are kept within limits due to movements of labour and commodities from the more expensive to the less expensive region in the same country. This does not occur on any significant scale between the two wings of Pakistan due to high cost of movement and other economic frictions. Among other things, one result is that complications are created in the matter of public expenditure, particularly the expenditure of the Central Government which is located in the western wing. The huge defence expenditure particularly is mainly incurred in the western wing where are found the major defence installations and from which are derived the major portion of the defence personnel. East Pakistan claims parity in such expenditures to get equal advantage of the larger incomes thus generated, irrespective of the exigencies of defence. Parity is also claimed in the matter of development expenditures irrespective of the fact whether such expenditures can be productively absorbed or not. In other words, the whole approach is not on the basis of common citizenship, but on the assumption of there being two separate independent economic units, economic interests of which are opposed to each other at several strategic points. Without entering into the merits of such claims, it is quite obvious that the geographical separation of the two parts of the country is a serious obstacle to the planning of a more rapid economic development of these areas where such development is feasible. The result, therefore, is the slowing down of the rate of development of the country as a whole.

2 · 3 Other Geographical Features

Looking at each of these wings more closely from the geographical point of view, a few facts about the nature of the land surface, climate and soils will not be out of place here, since these features have a deep significance for economic potentialities of a region. As regards the general nature of the land, the country comprises of parts of western and eastern flanks of the extra-peninsular mountains of the sub-continent. In addition it has parts of Indo-Gangetic plains covered with soils which are regarded among the most fertile in the world.

Through West Pakistan flows the mighty Indus with its tributaries Sutlej, Ravi, Chenab and Jhelum. Before entering Pakistan these rivers flow either through the Indian territory or through the disputed territory of Indian-occupied Kashmir. This fact is of great concern for the

future of Pakistan. In fact, India has claimed (and obtained subject to the transitional arrangements) full waters of Sutlej (along with its tributary Beas) and Ravi, and Pakistan has to bring water from the other three rivers to irrigate areas currently being irrigated by the rivers claimed by India.

The greater part of East Pakistan, where population is concentrated, covers a relatively smaller area. It is constituted mainly by the delta formed by the Ganges and Brahmaputra rivers. It is one of the most densely populated parts of the world. The region is intersected by a network of waterways and is conspicuous by its heavy rainfall.

Climatically, the two wings present a complete contrast. West Pakistan is dry and much of it is barren. The temperature in May and June exceeds 120°F. at some places. In winter, on the other hand, the minimum temperature in some places, even in the plains, is several degrees below freezing point. In East Pakistan, the temperature remains more or less uniform throughout the year ranging from 60°F. to 90°F. It has a tropical climate, humid and warm. The rainfall varies from 75 inches in Dacca to about 160 inches in Sylhet as against West Pakistan where the average is only 20 inches, and in large areas of south and west it is less than 5 inches per annum. Thus West Pakistan depends to a high degree on artificial canal-irrigation which in due course of time has confronted this wing with the twin problems of salinity and waterlogging. Most areas of East Pakistan are ever supplied with water, making drainage of excess water one of the major problems of the area.

Due to differences in climate and soils the two wings specialise in the production of different agricultural products and fruits. The major foodgrain of West Pakistan is wheat and that of East Pakistan rice. The major fibre of the eastern wing is jute and of the western wing cotton. As regards fruits, East Pakistan produces coconuts and bananas, and West Pakistan oranges, apricots, apples and dates. Different food products have created differences in food habits. East Pakistanis are primarily rice-eating people, while the major cereal consumed in West Pakistan is wheat. Climate has also determined the type of clothing and housing of the people of the two wings, which are very much different. East Pakistanis hardly need any warm clothing and the poorer classes can spend their lives in temporary thatched structures, while in West Pakistan the weather is severe and the people need warm clothes and well-protected houses. These factors need to be kept in mind when

assessing the minimum material needs of the people of the two regions, and comparing their per capita incomes.

2·4 Land and Water Resources

Thus far the geographical features in general and their implication; as regards natural resources, these are constituted by:

- (a) land and water resources;
- (b) fuels and minerals;
- (c) hydro-electric power facilities.

As regards land, the total area of Pakistan is 365,529 or, say, 366,000 sq. miles. Of this 55,000 sq. miles constitute the eastern wing and 311,000 sq. miles the western wing. In terms of acres the total area of Pakistan is 233·8 million acres of which 35·4 million acres are in East Pakistan and 196·4 million acres in West Pakistan. While about 65% of the total area in East Pakistan is under cultivation, in West Pakistan such area forms only 20% of the total.

More than 97% of the cultivated area in East Pakistan depends upon rain. Most of it bears only one crop a year. The rivers are perennial, though the flow is rather slow in winter. The total volume of water in these rivers has been estimated at 925 million acre-feet. Very little of it at the moment is used for irrigation and flows into the sea and is wasted. The problems of land thus are: to develop these enormous resources as efficiently as possible, to extend the area under irrigation, to provide more irrigation to the present area under cultivation in order to make it possible to have double cropping, and to reduce the destruction caused by floods through flood regulation and drainage schemes. Moreover, large areas, which are subject to the invasion of saline water of the tides, need protection. The chief means of transport in the province is through water. This needs improvement. Moreover, wherever possible, the water must be used to increase the supply of electric power.

Steps have already been taken to achieve these ends under the First and the Second Five-Year Plans, though the results achieved during the former were rather limited. During the Second Plan period, however, 3·5 million acres will be given protection against floods, Another 1·0 million acres will be protected against tidal inundation and 2·0 million acres will be provided drainage.

West Pakistan may be divided into two broad regions¹ for the

1. This is based on the description given by the First Five-Year Plan, Chap. 19, and Second Five-Year Plan Chap. 8.

present purpose: (a) the Indus Basin and (b) the coastal Tributaries and Desert Streams Region.

The Indus Basin is constituted by the Indus and its major tributaries—Kabul and Kurrum on the right bank, and Jhelum, Chenab, Ravi, Beas and Sutlej towards the left. The total area of this region is 348,000 sq. miles of which 204,000 sq. miles lie in West Pakistan. The plains of the basin consist of alluvial deposits, consisting mostly of sand and some clay thousands of feet thick.

The average annual rainfall is less than 15 inches over the whole area, 60% receiving less than 10 inches, and 16% less than 5 inches. Most of this rain is concentrated during the period from June to September.

The gross area of the basin is 166 million acres of which 90 million acres are cultivable. The annual net sown area, however, is only 30 million acres of which 90% produces one crop per year. The net irrigated area is 21 million acres on the average, which is 50% of the cultivable and 76% of the cropped area.

Leaving aside the irrigated land, the rest of the region suffers from wind and water-erosion in varying degrees. The irrigated areas have large tracts in which waterlogging and salinity are on the increase. The rivers are subject to extreme variations of flow the maximum being about a hundred times the winter minimum. Very little is known about the ground water resources and their potentialities.

During the First Five-Year Plan, provision was made for making a start regarding the regulation of the uncontrolled flow of rivers for better use of their waters for irrigation and power development and for reducing flood damage. Actually, however, little was done as regards flood control and only modest results were achieved in the reclamation of waterlogged and saline soils. Irrigated area, however, increased by 1.1 million acres. During the Second Plan period, irrigated area is expected to increase by 1.6 million acres. It is expected that 3.5 million acres will be given protection against floods.

The Coastal Tributaries and Desert Streams Region has a total area of 100,000 sq. miles. It consists mostly of barren surface with rugged mountains interspersed with semi-desert valleys and plains. Strong winds blow most of the year. Rainfall is scanty and badly distributed—hardly 10 inches anywhere, going down to 2 inches at some places.

The agricultural area is found in the form of scattered pockets,

since land is divided into small units by natural barriers. The total cultivable area is about 10 million acres, i.e. 12% of the total land area of the region. Of this 5 million acres are cultivated. Not more than 20% of the area on the average is sown with crops.

The estimate of the stream flow is on an average of 4 to 5 million acre-feet. The estimate of recoverable ground water is said to be about 2.5 million acre-feet. Accurate data, however, are not available.

The First Plan proposed to improve the water supply to the land already under irrigation, to provide irrigation water to new lands and to expand the supply of power. Provision was made for the construction of a number of simple diversion structures, detention reservoirs and canals with a view to converting short-term flood discharges into continuously usable flow. The Plan also provided for the exploration and development of ground water by means of open and tube wells. Very modest results were obtained during the First Plan period and these aims are being pursued during the Second Plan.

2.5 Fuels and Minerals

Pre-partition India produced as many as thirty important minerals. Twenty-two of these were found only in areas now forming the Indian Republic. Among these were such important minerals as iron ore, manganese ore, mica, gold, silver, copper and bauxite. Only two minerals were produced exclusively in the Pakistan areas, i.e. antimony and sulphur.

As regards minerals which were found both in India and Pakistan, it was only in the case of chromite, Fuller's earth, salt and gypsum that Pakistan had a predominant share. It had fair quantities of clays and petroleum.

Since independence Pakistan has made good progress in the production of certain minerals, particularly petroleum products, coal, limestone and gypsum. Natural gas has been an important addition to the list. The progress is indicated by the table below.

Table No. 2

		1948	1955	1960	1963
1. Crude Petroleum	Million I.G.	17	72	92	123
2. Coal	COO tons	241	533	818	1,158
3. Chromite	" "	18	28	18	14
4. Limestone	" "	347	886	1,064	1,456
5. Gypsum	" "	—	28	90	158
6. Fireclay	" "	7	8	16	—
7. Silica Sand	" "	1	9	26	23
8. Rock Salt	" "	150	140	181	239
9. Natural Gas	Million cft.	—	1,375	29,842	49,459

The increases in the production of crude petroleum, coal, limestone and natural gas are noteworthy.

In spite of these increases, however, domestic production of fuels and minerals has not been adequate to satisfy local demand. With economic development this demand will expand still further. Projections of 1975 of primary energy requirements show that if 10,625 million kWh are supplied by hydel electricity other fuels needed will be 4,800,000 tons of coal, 154,945 million cft. of natural gas and 30,298,000 barrels of petroleum. For the time being large amounts of foreign exchange are being spent on the import of some important minerals and fuels. According to the Second Plan, the domestic coal production hardly supplies one-third of the total coal consumption of the country and petroleum products only 20% of the total needs. Our imports of mineral oil alone increased from Rs. 8.2 crores in 1957-58 to Rs. 36.3 crores in 1960-61; since then it has fallen to Rs. 23.7 crores for 1962-63, presumably due to increased domestic production. The country spent Rs. 7 crores on coke and coal in 1959. Later statistics are not available.

The First Plan allocated Rs. 53 crores and the Second Plan Rs. 100 crores for fuels and minerals. These investments have been responsible for the increase in production, particularly of coal, gypsum, limestone and crude petroleum. The 1965 target for coal is 1,500,000 tons and gas over 100,000 million cft. These targets are likely to be fulfilled.

In the meantime the Geological Survey Department has been busy with its activities of discovering new mineral deposits. As a result, existence of about 130 million tons of coal reserves in Lakha area has been proved and a reserve of about 150 million tons of chamosite-

siderite type of iron ore have been found to be available in Kalabagh-Chichali area. In addition, more deposits of chromite have been discovered in Khanozai-Hindubagh-Nasai area. Reserves of 1.4 million tons of barytes have also been proved and substantial reserves of natural gas have been discovered at Titas and Rashidpur in East Pakistan. Further investigations are continuing.

In conclusion it may be said that Pakistan has fairly good resources of chromite, gypsum, sulphur, petroleum, arsenic, rock salt and sodium compounds. Silica and glass sands are also found in the country. The country has some reserves of coal and new discoveries are encouraging in this regard. With respect to iron ore, until recently Pakistan was considered very deficient in it, but prospects are better now. Another very important development has been the discovery of natural gas both in East and West Pakistan which has greatly improved the prospects of solving the fuel problem. As regards non-ferrous metals like copper, the country spends about Rs. 9 crores a year on the import of such metals and manufactures thereof. Such metals in which Pakistan is very deficient include copper, aluminium, tin, zinc, magnesium, and nickel. But since an inch-by-inch survey has not yet been carried out, it is possible that some of the deficiencies in this connection may be rectified.

The Government has been issuing licences and giving leases to firms interested in developing the mineral wealth of the country, and efforts are being made to locate the unknown minerals available in Pakistan.

An important step was taken in 1959 when a Bureau of Mineral Resources was set up by the Government. It has been given the responsibility of planning and co-ordinating mineral development.

2.6 Power Resources

Power is one of the most important ingredients of economic development. It is required for all operations in agriculture, industry and transport. Sources of power have been the human muscle, animal power, power derived from wind and the flow of water. These are very old sources. The power from steam, gas and electricity was the harbinger of modern industrialisation. The atomic power is quite recent and is full of unlimited potentialities.

Electrical energy may be thermal (i.e. produced through the use of coal, oil or gas) or hydel (hydro-electricity) which is generated by water power. It is not possible to assess the potential hydro-electric resources

which can be available to Pakistan. They appear to be almost unlimited, particularly in West Pakistan and its mountaneous regions. In this section we shall be concerned with power capacity that has already been realised rather than the potentialities.

At independence, the installed capacity of different power-houses in Pakistan was about 70,000 kW of which only 11,000 kW was hydel. The first assessment of demand for power was made in December 1947 at the First Pakistan Industries Conference, which fixed the total target at 500,000 kW, 100,000 kW for East Pakistan and 400,000 kW for West Pakistan. This target was later brought down to about 200,000 kW, 160,000 kW for West Pakistan and 40,000 kW for East Pakistan, as a result of a survey carried out by Sir Henry Howard, a Consulting Engineer of repute.

Sir Henry Howard made a number of recommendations among which were: (a) the creation of a Central Engineering Authority for the co-ordination of power development and utilisation of the water and power resources of the country; (b) appointment of Consulting Engineers, (c) preparation of an All-Pakistan Power Plan; and (d) setting up of a pool of generating plant and equipment. These recommendations were accepted by the Government and measures were taken for their implementation. A Central Engineering Authority was set up with effect from 1st July, 1948. Two reputed firms were appointed as Consulting Engineers to survey power requirement of the country and prepare a ten-year plan for development. These plans were incorporated in the Six-Year Development Plan 1951-57 (Colombo Plan). The First Five-Year Plan (1955-60) gave due importance to this aspect of the country's development and so did the Second Plan (1960-65).

The progress in installed generating capacity has been very impressive. Between 1955 and 1960 it increased from 342,000 kW to 850,000 kW, nearly three times. During the Second Plan the target was fixed at 1,600,000 kW. It is expected that about 1,440,000 kW will have been put into service by 1965.

Per capita consumption of electricity rose from 10 units in 1955 to 30 units in 1960. The target for 1965 is 50 units, but actual consumption is expected to be lower due to delayed implementation of some of the distribution schemes. It is also expected that only 3,000 villages instead of 5,000, which was the target, will receive electricity during the Second Plan period.

The report of the Power Commission, appointed by the Govern-

ment to determine the long-range electric power requirements of the country, is under consideration by the Government.

The progress already made in the generation of electricity is shown by the Table given below. It will be seen that Pakistan, which at independence depended partly on electricity imported from India, has become entirely self-sufficient in this respect. The total consumption has increased more than ten-fold since 1948.

Table No. 3
Consumption and Production of Electricity

	Total Consump- tion (1,000 kWh)	Domestic Pro- duction (1,000 kWh)	Imports from India (1,000 kWh)	% Domestic to Total Consump- tion
1948	201,875	129,026	72,849	64
1951	299,354	225,094	74,260	75
1954	515,079	495,643	19,436	96
1957	970,611	949,716	20,894	98
1960	1,449,894	1,449,894	—	100
1961	1,818,929	1,818,929	—	100
1962	2,307,487	E. Pak. 335,845 W. Pak. 1,971,642	—	100
	Total 2,307,487			

Prospects for power development in Pakistan are thus very bright. It is unlikely that the pace of economic development in the country will be retarded through lack of power to meet the growing needs.

CHAPTER 3

Human Resources

3 · 1 Economic Significance

The interest of the economist in the study of the population of a country is two-fold. He studies it both as an end of all productive activity and as a means of promoting that activity. All economic effort has, ultimately as its end product, the satisfaction of human wants as fully as possible, within the limitations imposed by the resources of the country. How much will be produced and what will be produced is determined by the demand of the population of the country. This demand, in its turn, depends upon the total income of the community (during a given period) and the way this income is distributed, along with the habits and tastes of the people concerned. The tastes and habits, among other things, are determined by the structure of the population, i.e. distribution according to age-groups, rural and urban character, religious groupings, occupational distribution, the rate of growth of the population, etc.

Population, however, has another aspect equally fundamental, i.e. population as a productive resource. Man is not only the end of all production, but also a factor of production. How fully the wants of a community will be satisfied depends ultimately upon the productivity of the labour power of the country. To assess this productivity we have to take into account the quantitative and qualitative aspects of the population of the country. We have to assess the proportion of the total population which is or can be actively engaged in the process of production. A rapidly growing population, for instance, will have too many children who consume

ut do not produce. A high birth-rate, accompanied by high death-rate, means waste of resources of the nation. Rapid growth of population, when productivity cannot be increased correspondingly due to scarce resources or defective social institutions, may mean falling living standards with all their consequences involving an insecure existence at a low level.

2 Pressure on Resources

The size of the population of a country may be so large as to press upon the resources available for it to work upon and depend upon. This degree of pressure may change with resource development.

There are various ways of measuring this pressure. Low per capita income indicates only that the resources are not being properly utilised. For a developing country two measures may be used to get an idea of this pressure: (a) population density, i.e. average number of persons living per square mile of territory; (b) cultivated area per head of population or per worker engaged in agriculture.

As regards density, it varies enormously in Pakistan between the two wings as well as between the different areas and regions in each wing.

According to the latest Census (1961), the over-all density of population in Pakistan is 256 persons per square mile. This does not appear to be very high and compares favourably with India's 292 persons. But there is a great disparity between the two wings, it being 922 in East Pakistan as against only 138 in West Pakistan.

Taking each province of Pakistan separately, we find that in East Pakistan density is as high as 1,288 in Dacca division. Even the lowest comes to 782 in Khulna division. There are further variations between districts, Dacca having again the highest density.

The degree of variation in West Pakistan is much larger. The highest density is shown by Lahore both as a division and as a district and the lowest by Kalat. Average density for Lahore division is 726 which is even then lower than the lowest density in the division of Khulna in East Pakistan. But there are very sparsely populated areas in West Pakistan, particularly the Quetta and Kalat divisions, in which density is 14 and 7 respectively. We need not pursue this matter at the district level.

In agricultural countries like Pakistan density of population is mainly determined by the fertility of the soil. The low density areas

in West Pakistan contain a high proportion of barren land which produces little to support human life. High densities of Lahore and Sargodha divisions are due to high agricultural fertility resulting from canal irrigation, which has made high concentration of population possible. East Pakistan's high density is due to fertility of the soil and the warm humid climate which enables life to be supported at low level of income. Generally it may be said that high densities are found in areas of alluvial low lands, with either good rainfall or irrigation. On the other extreme areas of low density are either arid or mountainous or both.

High density, however, does not necessarily mean high pressure on resources. If resources consist of minerals and human skills, large numbers can be supported over a small area. This accounts for high density in urban areas and in industrialised countries. Many countries and areas with high density have a much higher per capita income than more sparsely populated areas and countries. For instance, density is 737 in Belgium, 533 in U.K., 512 in Germany with per capita income of \$800, \$780 and \$510, respectively, as against India's density of 292 and Pakistan's 256 with their per capita income of \$60 and \$70, respectively. In other words, the currently under-developed countries can maintain even higher population densities if they can manage to achieve the required degree of economic development. But high population pressure for such countries can be an obstacle to development as we shall see.

The pressure of population on resources can be better measured by the land-man ratio than by mere density per square mile where man stands for agricultural worker and land is taken to be agricultural land or area actually under cultivation since this is the main source of livelihood for such people. Cultivated area per head of population is another index of population pressure. We shall study the size of an average holding in Pakistan in another connection; for the present purpose cropped area per head may be indicated.

Table No. 4
Per Capita Cropped Area (Reported¹ Area only)

	Total Popula- tion ² (1,000)	Total Area (1,000 acres)	Total Report- ed Area (1,000 acres)	Total under Cultiva- tion ³ (1,000 acres)	Total ⁴ Crop- ped (1,000)	Per Capita Cropped ⁵	
						1961 acres	1951 acres
East Pakistan	50,840	35,385	34,650	21,807	26,473	·52	·61
West Pakistan	42,880	198,485	119,057	40,443	34,906	·81	·97
Pakistan	93,720	233,830	153,707	62,250	61,379	·65	·76

In both the wings cropped area per head is less than one acre, a minimum usually considered necessary for reasonable subsistence under conditions of primitive agriculture like ours. The pressure in the eastern wing is higher but the land being rice-producing its productivity is higher. Usually one acre of rice land is equated with two to three acres of dry wheat land of the type found in West Pakistan. Further, the Table reveals that due to increase in population and failure of cropped area to expand, per capita cropped area was considerably lower in 1961 than in 1951.

3 · 3 Population Growth

From the point of view of economic development the rate of growth of population is more significant than its size at a particular point of time. The aim of economic development being ensuring a rising per capita income for the people, it is a race between growth of national income and growth of population. A rapidly growing population will require a larger investment ratio (investment as a proportion of national income) and hence a higher rate of domestic saving assuming that no foreign aid is available. Even if foreign aid can supplement domestic savings, that will imply arranging for a higher amount of

1. Average for 1956-57 to 1958-59.

2. 1961 Census.

3. Area under cultivation=net sown+current fallow.

4. Total cropped area=net sown+sown more than once.

5. Added for comparative purposes. Calculated on basis of 1951 population and averages are for three years ending 1949-50.

foreign finance which may not be an easy matter. If the country fails to maintain the required investment (or saving) ratio, a rapidly growing population will result in lowering of per capita income and hence will depress living standards. The living standards in under-developed countries being already not much above subsistence, any lowering of them will have serious socio-political as well as economic consequences. It will mean, for one thing, further difficulties in the way of lifting the economy out of the vicious circle of poverty.

A rapidly growing population reduces the rate of capital formation in several ways. First, as already noted, it reduces per capita income and hence the margin for saving. A larger population has to be fed, clothed and housed, etc. Hence the propensity to consume (consumption as a proportion of income) rises which is the same thing as to say that the propensity to save falls. Secondly, a rapidly increasing population raises the proportion of children to the total population, thus reducing the relative proportion of the working population and raising the degree of dependency. Moreover, a higher proportion of consumption expenditure is incurred on the supply of goods and services to the non-working population (children) which contributes little in raising productivity of the working force.

On the other hand, a slowly growing population is not necessarily favourable for economic growth nor is it an indicator of it; for instance, the world population increased at the rate of a fraction of 1% per annum during the first 1,600 years of the Christian era—a period not associated with mass prosperity anywhere. During the last three hundred years world population has been increasing at an increasing rate and has increased several fold, i.e. from about 500,000,000 in 1600 A.D. according to one estimate, to about 3,000,000,000 today. This has been accompanied by an enormous rise in living standards in the industrialised countries of the world. The slow rate of world population growth in earlier centuries was not due to low birth-rates, but to high death-rates. This also accounts for the relatively low rate of population growth in India and Pakistan during the first half of the present century and earlier. A lower rate of population growth achieved in this way involves enormous wastage of material resources not to speak of the psychological costs of frequent deaths. And when death-rate reflects high infant mortality, which is usually the case, the degree of wastage is still greater since costs incurred on these children and infants is not compensated by any contribution to national income

during the time they have to be fed and clothed and otherwise cared for.

Table No. 5 on page 31 gives the population of Pakistan and its provinces as recorded by the various Censuses during the present century.

3 · 4 Causes of Population Growth

Various factors have been vitiating population statistics of the Indo-Pak sub-continent in the past which are of importance no longer. In earlier decades there were changes in the areas covered by the various Censuses for which adjustment had to be made. Ignorance of the people of the significance of the census and lack of co-operation from them at the time of enumeration were other factors which tended towards under-counting, particularly of the females. Before the 1921 Census, however, the greatest factor controlling population growth was the high rate of mortality caused mainly by famines and epidemics. This explains the small increase during 1901-10 (1·19% per annum) and 1911-20 (0·68% per annum). The former was a decade of widespread famines and the latter of the influenza epidemic of 1918-19. From 1921 onwards the political factor complicated the situation and there was deliberate vitiation of the population statistics upwards or downwards by different communities (mainly Muslims and Hindus) to gain higher representation in Legislatures and Services which were allocated on population basis. Attempts were made to correct these errors but not always with success.

The comparatively small increase over the decade 1911-20 was due partly to under-enumeration, because of the "Non-Co-operation Movement," and partly to the heavy toll of life taken by the influenza epidemic as already noted. Higher death-rates and lower birth-rates due to World War I was another but presumably minor factor. By 1931 the people had become conscious of the political importance of the Census figures, which consciousness became still stronger by the time of the 1941 Census. Due to this reason, each community trying to inflate its own numbers, it is generally believed that considerable over-enumeration took place at the last common Census of the sub-continent. Much of the increase, however, can be attributed to the fact that this decade was free from widespread epidemics and famines. The latest inter-Census period has shown an unprecedented rate of growth. This is in line with a universal trend in the developing countries and is due to the enormous fall in death-rates because of the application of death

Table No. 5

Population Growth in Pakistan 1901-1961

Census Year	Pakistan			East Pakistan			West Pakistan		
	Popula- tion (millions)	Increase over Previous Census (millions)	% Per Annum Increase	Popula- tion (millions)	Increase over Previous Census (millions)	% Per Annum Increase	Popula- tion (millions)	Increase over Previous Census (millions)	% Per Annum Increase
1901	45.5	—	—	28.9	—	—	16.6	—	—
1911	50.9	5.4	1.19	31.6	2.7	0.93	19.4	2.8	1.67
1921	54.4	3.5	0.68	33.3	1.7	0.53	21.1	1.7	0.87
1931	59.2	4.8	0.88	35.4	2.3	0.69	23.6	2.5	1.18
1941	70.3	11.1	1.87	42.0	6.4	1.79	28.3	4.7	1.99
1951	75.8	5.5	0.78	42.1	0.1	0.02	33.7	5.9	1.90
1961	93.8	18.0	2.38	50.8	8.7	2.12	42.9	9.2	2.71

Source: Census 1961 and 1951.

control measures cheaply supplied by the more developed countries of the world. Taking the sixty years of the present century as a whole, it will be seen that during the first thirty years Pakistan's population increased by 13·7 millions or 30% or an average annual rate of 1%. During the second thirty-year period the increase has been by 34·6 millions or 58·5% or an average annual rate of 1·95%. During the last inter-Census period the rate has been 2·38% per annum which is a very high rate.

Confining ourselves to the latest inter-Census period, some interesting facts are notable. Between 1951 and 1961, the population of Pakistan as a whole increased by about 18 millions from 75,672,496 to 93,720,613, or 23·8%. To this increase 12·1% was contributed by West Pakistan and 11·8% by East Pakistan. East Pakistan's population increased by 21·2% and West Pakistan's by 27·1% over ten years. Thus the rate of growth has been higher in West Pakistan than in East Pakistan. This is mainly due to higher death-rates in the latter province, where epidemics have been more frequent primarily due to bad sanitation and lack of pure water for drinking.

The rate of population growth further shows difference in different parts of each province. Taking the district (or agency) as a unit, in West Pakistan sixty-six districts show an increase and two (Kharan and Mekran of Kalat division) indicate a decrease, the former of 22% over ten years and the latter 0·31%. The causes of this fall are being investigated. At the other extreme is the Mohmand Agency of the North-West Frontier, which recorded the highest increase of 127·5% over ten years, presumably due to migrations. The lowest increase was shown by the Sibi district of Quetta division of West Pakistan, i.e. only 2·1% in ten years.

Variations in East Pakistan have been over a much smaller range, varying between 34% (Jessore district and Chittagong Hill Tracts) and 14% (Faridpur district and Sylhet district).

Of the ten districts showing the highest increase only one belongs to East Pakistan (i.e. Chittagong Hill Tracts), which stands lowest on the list with 33·9%, Karachi topping it with 79·7% in ten years.

The significance of large variations in population growth in West Pakistan and more or less a uniform increase among the districts of East Pakistan may be noted here. In West Pakistan, there have been large-scale population movements between different parts of the

province to take advantage of better opportunities at places where the rate of economic growth is higher and recent. This explains heavy immigrations into Karachi (79.7% increase), Hyderabad (44.1%), Rahim Yar Khan (52.7%), Multan (28.2%), Bahawalpur (39.3%) and Khairpur (47.8%). Here greater job opportunities have appeared during the last decade. New urban areas are also appearing in most of these districts. The scope for such shifts is very much limited in East Pakistan in which all areas are almost equally under pressure. Hence it is that the population of East Pakistan has shown much less mobility than that of West Pakistan. Moreover, the differences in resource distribution are much larger in the various parts of the larger western wing as compared to the more compact eastern province. The western wing contains much larger disparity of temperature, rainfall, water supply, and elevation than the eastern wing of the country. Further, there are fewer physical obstructions to mobility in the former province. People of East Pakistan are immobilised for several months in the year due to flooding of almost the whole province. The only areas which have shown a significant increase in population is Chittagong Hill Tracts and Jessore districts. In the former it is possibly "due to the rapid opening up of its interior and the Kaptai hydro-electric project." Jessore district has shown high increase due to migrations from border districts of India.¹

3.5 Birth and Death-Rates

The study of birth and death-rates² is important because the growth of population in any given period depends upon births and deaths in that period in relation to the population at the beginning of the period. Moreover, high birth and high death-rates indicate a socially and economically backward community. Until about 200 years ago, before the scientific and industrial revolutions, all countries of the world showed high birth and death-rates both ranging between 35 and 40 per thousand. From the beginning of the nineteenth century death-rates began to fall in the industrially advancing countries of Europe due to better diet, more medical care and greater political and

1. Census 1961, Bulletin 2, p. 10.

2. Birth and death-rates are calculated as follows:

$$\text{Crude birth-rate} = \frac{\text{No. of the live births during a specified period} \times 1000}{\text{Population during the middle of the specified period}}$$

$$\text{Crude death-rate} = \frac{\text{No. of deaths during a specified period} \times 1000}{\text{Population during the middle of the specified period}}$$

social security. Birth-rates began to fall about the last quarter of the century as the higher standards of living became common and people began to exercise deliberate control over the size of their families. By the time the Second World War broke out, in advanced countries, the death-rate had fallen to about 12 per thousand and birth-rate went up to about 20 per thousand. Since then death-rates have still been reduced, coming down to about 10 per thousand, while birth-rates have gone up to about 25 per thousand in some advanced countries like U.S.A.

In the case of underdeveloped countries, the stage of high birth and high death-rates continued much longer: both nearabout 40 per thousand, though death-rate fluctuated much more than birth-rate. In the Indian sub-continent death-rate began to fall about the middle of the nineteenth century though rather slowly, as famines and epidemics were brought under control and conditions of security of life were established. Birth-rates, however, continued quite high since they are much more difficult to control by collective efforts than death-rates, and depend upon the cultural level of the people and their social institutions, which take a long time to change. The Census of 1941 gives 34·3 per thousand as birth-rate and 24·9 per thousand as death-rate for the Indo-Pak sub-continent, both figures being high when compared to the corresponding figures for European countries. The Indian Census for 1951 shows a substantial fall in death-rate to 17 per thousand. Corresponding figures for Pakistan as a whole are not available. But, according to the Provincial Health Department of former Punjab, death-rate was 16·9 and birth rate 32·3. Actually, however, the figures both for India and Pakistan are not reliable, there being considerable under-registration of both births and deaths. Such under-registration has been estimated as 30 to 50% of the actual number of births.¹ A similar error may be presumed for the registration of deaths. A recent Sample Survey of Lahore District in West Pakistan shows the crude birth-rate to be 48·2 per thousand and crude death-rate 21·2 per thousand for the period from November 1955 to November 1956.² On the whole, it is safe to conclude that, in spite of the recent fall in death-rates in several underdeveloped countries including the Indo-Pakistan sub-continent, its level is still high in Pakistan. Birth-

1. The First Five-Year Plan of Pakistan (Revised), p. 189.

2. Social Science Research Centre (University of the Panjab), *Village Life in Lahore District* (Selected Sociological Aspects), p. 6.

rate does not show any downward trend. It is likely, therefore, that the population of the country will grow at a much higher rate than hitherto as death control measures become more common and effective. The fall in death-rates cannot be considered a blessing and will defeat its own purpose unless either birth-rates are made to fall correspondingly or the rate of economic growth is increased sufficiently to increase national income at a higher rate than population growth. There are many difficulties in the way of both of these solutions, as we shall see.

3·6 Extent of Urbanisation

Generally speaking, the relative proportions of the population of a country living in rural and urban areas respectively reflect the degree of industrialisation achieved by it. The example of Japan may be quoted to show how economic progress and urbanisation of the population go hand in hand. "In Japan at the beginning of the Meiji era," says a United Nations publication, "four-fifths of the population were decidedly dependent upon agriculture and one-twentieth lived in cities of 50,000 and more. From 1868 to 1930, there was rapid transition to an industrial and urban economy; in 1930 only 47 per cent of the total gainfully employed population were engaged in agriculture. In the two decades from 1921 to 1940, the rural¹ population declined from 37·9 to 36·6 millions. In other words, 16·1 million persons, roughly the entire natural increase during 1921-40,² were absorbed in urban areas. The progressive urbanisation in Japan has been accompanied by heavy migration from the countryside to the city, by a transition from the depressed level of subsistence agriculture to a moderate level of money economy based on non-agricultural work, and by change of the traditionally high fertility pattern of Japanese peasant to the rapidly declining fertility of the city people. Urbanisation has prevented the development of increasing pressure of population on the land, lowered the fertility of the peasant migrant in the city, and diffused the new values of money economy and lower fertility in the rural areas."³ Economic development of other countries like U.K., U.S.A., Germany, and France also shows a correspondence between urbanisation and industrialisation accompanied by rising living standards.

1. Rural population here refers to those living outside towns of 10,000 or more.

2. The total population of Japan increased from 56 to 73 million during 1921-40.

3. U. Nations, *Economic Survey of Asia and the Far East* (1950), pp. 40-41.

In Pakistan urbanisation is still quite meagre, reflecting the country's predominantly rural character. The degree of urbanisation, however, has been on the increase, particularly more recently.

The rate of growth of urban¹ population, when compared to that of rural population, has been remarkable in recent decades, particularly during the latest inter-Census period. Between 1931 and 1940, urban population increased by 44.1% as against 17.0% increase in rural population. During 1941 to 1950 the difference was even more remarkable, urban population increasing by almost 42% when rural population only by 5.0%. The rate of urbanisation during the period 1951-60 has surpassed all previous records. Rural population during this period increased from 67.9 millions to 81.4 millions or by 19.8% while urban population grew from 7.8 millions to 12.3 millions or by 56.4%.

Comparing the two provinces, the rate of urbanisation has been much higher in West Pakistan than in East Pakistan. Between 1951 and 1960 urban population in East Pakistan increased from 1.84 millions to 2.64 millions or by 43.2%. During the same period in West Pakistan it increased from 6.0 millions to 9.65 millions or by 60.1%. Thus as a percentage of the total population, urban population increased from 4.4 to 5.2 in East Pakistan and from 17.4 to 22.5 in West Pakistan during the same period. West Pakistan is not only more urbanised, its rate of urbanisation is also higher than that of East Pakistan.

An aspect of urbanisation is growth of larger urban centres. The number and size of cities and towns have shown a remarkable increase during the last two Census periods. Census figures show that the relative importance of the lower-sized urban areas has decreased while of those of 50,000 and above population has increased. The increase has been particularly remarkable as regards towns of 100,000 population and over. In 1941 there were only nine cities of this category with 2.3 million inhabitants in all forming about 3% of the

1. Definition of Urban, in the 1961 Census, includes Municipalities, Civil Lines and Cantonments not included in municipal limits, etc., and any other continuous collection of houses inhabited by not less than 5,000 persons which the Provincial Director may decide to treat as urban for census purposes. Some areas of less than 5,000 persons may also be treated as urban, if they possess urban characteristics, e.g. roads, sanitation, schools, non-agricultural occupation of people. Census 1961, Bulletin No. 2, p. 13

total population and 49.9% of the total urban population. By 1961 the total population living in such cities (now numbering sixteen) increased to 6.9 millions or 7.4% of the total population and 56.1% of the urban population of the country. The number of all urban areas increased from 282 to 390 or by about a third between 1951 and 1960.

The percentage increase of population in some of the larger cities has been tremendous. The most remarkable increase during the first inter-Census period, i.e. 1941-50, took place in the case of Karachi (144.2%), Lyallpur (156.2%), Sargodha (115.4%) and Hyderabad (79.6%), mainly due to the larger incomings (as against outgoings) of refugees. During the 1951-60 period the highest increases took place in the case of Lyallpur (137.4%), Narayanganj (137.0%), Khulna (209.0%), Multan (88.4%), Hyderabad (79.7%), Karachi (79.7%), and Dacca (65.7%). This has been due mainly to industrialisation. In 1941 and in 1951 only two cities from East Pakistan had a population of 100,000 and over, i.e. Dacca and Chittagong. By 1961 two more were added, i.e. Narayanganj and Khulna. West Pakistan had seven such cities in 1941, nine in 1951 and twelve in 1961. The most spectacular increase has taken place in the case of Lyallpur, due to its remarkable industrial progress. Its population increased from 69,930 in 1941 to 425,248 in 1961, an increase of over 500% in twenty years.

3.7 Problems of Urbanisation

When urbanisation takes place, particularly at a rapid rate, it gives rise to a multiplicity of social and economic problems, and Pakistan is already confronted with them. With industrialisation and opening up of new job opportunities in urban areas people from rural areas move in large numbers. Some go only for the season or for a short period and keep their families in the village, but many now settle down in towns on a permanent basis, driven out by the pressure of population on their ancestral lands. Moving to an entirely new environment and to jobs requiring radically different techniques and behaviour-patterns, they have to face many psychological problems of adjustment and take some time to find their roots in their new homes. Old community ties and moral disciplines are relaxed; they have to pass through a period of moral confusion and unsettlement, sometimes leading them to anti-social activities. This may result in the increase in the incidence of crime as well as of less serious misdemeanours.

Apart from their psychological maladjustments, more material

consequences of urbanisation include pressure on housing, deterioration of sanitation, scarcity of drinking water, pressure on educational and training institutions, haphazard expansion of towns without proper urban facilities and planned development. Greater demand for houses and articles of daily use, like vegetables, fruit, milk, etc., which cannot be easily stored or brought into such areas at short notice, leads to a rise in cost of living leading to a demand for higher wages and salaries on the part of townspeople. If not met, the result is general discontent and, if met, the consequence is higher production costs or higher Government expenditure leading to higher taxation and further discontent. Such developments are not conducive to economic growth. A very important aspect of development planning is, therefore, town-planning in the most comprehensive sense of the term. The Government is alive to these difficulties. Courses in town-planning have been started at Lahore, Karachi and elsewhere. Provisions are always made in the national development plans for housing facilities and other requirements of a growing urban population either direct or through local bodies. To encourage house-building, tax concessions are given on newly-built houses for a period. But the actual implementation of these policies has not kept pace with the growing needs of the country in this respect. A more planned and concentrated effort is needed to solve these problems.

3 · 8 Some Structural Features

In this section we shall briefly consider some structural features of the population of Pakistan some of which have social, others economic, significance. These will comprise: (a) age distribution; (b) sex distribution; (c) marital status; (d) distribution according to religion.

(a) *Age distribution.* Age distribution has a direct impact on the size of the working force, and has significance from the point of view of economic development. It is also an index of the rate at which a population is increasing and its life expectancy. In less developed communities, life expectancy at birth is usually very low (less than forty years in India and Pakistan as against over seventy years in U.S.A.). Birth rates are, however, so high that, in spite of high death-rates, provided there is reasonable protection against famines and epidemics, population grows rapidly. But the life-cycle is short, with the result that the proportion of children in such populations is very high and of old people very low. The

population, is therefore, extraordinarily young with a low average age and a high degree of dependency.

(b) *Sex distribution.* Normally the sexes should balance taking the over-all population,¹ but due to social reasons countries tend to have predominance of either one or the other sex in their populations. The two great wars disturbed the sex balance in Western Europe by killing a large number of males, thus decreasing the sex ratio, i.e. the number of males per 100 females. In the less developed countries including Pakistan there is a shortage of females mainly due to higher mortality among females, as we shall see.

The predominance of females in the population, particularly after the First World War, led to many social and economic consequences in Europe. Economically, the number of women in paid employments or labour force increased. Shortage of women in Pakistan, on the other hand, particularly among the lower income groups, has led to high cost of marriage. As regards labour force, women only form a small portion of the working population. This again implies a greater degree of dependency. Thus both age and sex distribution in Pakistan reflect a high degree of economic dependency and correspondingly a lower proportion of the population engaged in "gainful employment." This so in spite of the fact that the "working age" in rural areas is rather low. Children who ought to be in schools are made to help their parents at home or in the field.

A few statistics may now be given to substantiate the above general observations with respect to Pakistan. According to the Census of 1961, there were 44.5% people in the age-group 0-14, 40.2% in the age-group 15-44 years and only 16.3% in the age-group 45 and over. This shows, on the one hand, a high degree of dependency and, on the other, the comparative youthfulness of the population. Pakistan shares this feature with other developing countries. Taking children under ten years of age who formed 35% of the total population in 1961, the corresponding percentages for Malaya, Iran, Turkey and Thailand were 33, 33, 29, 29. On the other hand, advanced countries like U.S.A. and England (Wales) had only 22% and 15% in this age-group.²

1. Sex ratio at birth is slightly in favour of males, 104 to 105 males for 100 females. But male infants are less vigorous in the beginning and their mortality rate is higher. This should create a sex balance at higher ages.

2. Census 1961, Bulletin 3, p. vii.

This feature of a population can be graphically presented by constructing what is called an age pyramid¹ of a country, which is a piled horizontal bar chart in which each bar represents the size of a given age and sex-group. On the next page are given age pyramids (for males and females) for Pakistan and U.S.A. for a contrast. It will be seen that the pyramid for Pakistan has a broader base and quickly tapers off as we move upwards, showing a high proportion of young people, particularly children. The pyramid for U.S.A. has a comparatively narrow base and narrows down slowly as we move up, showing a much more balanced age structure.

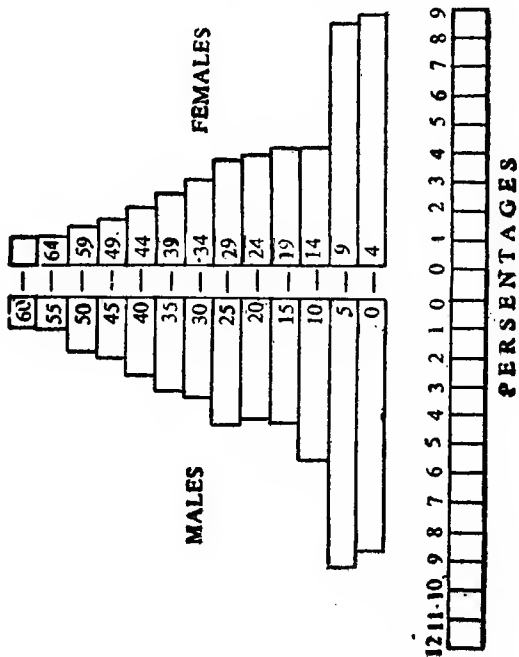
The high proportion of children below ten years in Pakistan reflects a high birth-rate, while the sudden fall for the age-group 10-14 shows low survival after childhood or high death-rate among children and infants.² In U.S.A. the majority of the children from age-group 0-10 enter the age-group 10-14, even though the proportion of children below ten years is lower. This reflects a lower birth-rate as compared to Pakistan. The age pyramid for Pakistan also shows that infant and child mortality among females is higher than among males. At the upper age-groups also the bars representing the females get smaller much more quickly than those representing males except for those representing ages fifty-five and over. For these groups the two sexes attain more or less the same proportion in the total population of each sex respectively. This shows that during childhood and the period of reproduction the female in Pakistan encounters a more unfavourable social environment, i.e. neglect, early marriage, frequent child-bearing and child-bearing under conditions of ignorance and carelessness. This also explains the high sex ratio in Pakistan.

By sex ratio, as already said, we mean the number of males per 100 females in the population. In Pakistan in 1961, there were 129 men for every 100 women in urban areas and 109 in rural areas. According to provinces, in East Pakistan sex ratio was 142 for urban and 106 for rural areas, while in West Pakistan it was 126 urban and 112 rural. Thus sex ratio was higher in urban areas

1. The bars may indicate either the absolute or the relative size of the group as regards their length. The width represents the size of the interval of age classification.

2. Infant mortality in Pakistan has been estimated at 200 for the period 1950-55 as against only 26.9 for U.S.A. for the period 1953-55. *U.N. Report on World Situation*, N.Y., 1957.

**AGE SEX PYRAMID
PAKISTAN 1961**



in both the wings, but it was very much higher in East Pakistan. High proportion of males to females in urban areas has resulted from the fact that a large number of rural workers move to towns for employment while leaving their families back in the village. In West Pakistan, this is partly offset by the fact that large numbers of refugees who settled in towns settled with their families. Moreover, in East Pakistan the proportion of urban to rural population is smaller and urban areas are less in numbers, transport difficulties are greater and thus a larger proportion of rural workers prefer to keep their families in their village homes; hence the extraordinarily high sex ratio in towns.

Speaking historically, comparison with previous Censuses indicates a steady fall in sex ratio both in urban and rural areas in Pakistan as a whole as well as province-wise. In Pakistan sex ratio in urban areas fell from 144 to 129 between 1941 and 1960, and in rural areas it fell from 110 to 109. In East Pakistan there was a fall from 150 to 142 for urban areas but no change (at 106) for rural areas. The corresponding figures for West Pakistan were 142 to 126 urban and 116 to 112 rural.

These statistics reflect two developments in this context. The gap between males and females in the population is decreasing with time, showing that the environment in Pakistan is improving for the females. And, secondly, a larger number of people moving to urban areas move with their families. This shows a greater stability of the labour force in the urban areas, i.e. migration to urban areas is more and more on a permanent basis. This can have favourable repercussions on the efficiency of the industrial workers and also on the general living conditions in the towns and other urban areas where the planners can provide facilities for a less shifting type of population.

(c) *Marital status.* From the point of view of marital status the population of a country is usually classified into single (or never married), married, widowed, divorced. There is no category "separated" under Pakistani conditions. The study of marital status in Pakistan, however, need not detain us long. It has only an indirect significance from the point of view of economic development. Marriage is a universal condition and the marriage age, particularly for the female, is much lower than in more advanced countries. This has a bearing on the rate of population growth, via the longer child-bearing period, which makes possible more children per married female

as well as per female in the population. On the other hand, due to the social prejudice against widow remarriage and the fact that most men remarry if they get widowers and remarry women much younger than themselves (since except the widows only very young girls are available for marriage), the number and hence the proportion of widows among the females tends to be larger than in more advanced countries.

At the time of the 1961 Census there were 58,559,502 persons of ten years of age and above in Pakistan. Of these 26.1% were single (as compared with 30.9% in 1951), 64.1% were married (59.8% in 1951), 9.4% were widowed (8.9% in 1951). Divorced persons were relatively few, being a little less than one-half of 1% of all the persons aged ten years and over in both the Censuses. Thus in 1961 a higher proportion of the population of ten years and above was either married or widowed and the proportion of single ones was smaller.

Marital status considered according to sex reveals that in 1961 35.3% of the male population were single (38.5% in 1951), 59.8% were married (56.4% in 1959), 4.6% were widowed (4.8% in 1951) and 0.3% were divorced (0.4% in 1951). Thus there was a shift towards the married status and away from single, widowed and divorced among the males. Among the females also the proportion of married was higher in 1961 as compared to 1951, i.e. 69.1% of the total as against 63.7%. But there was also an appreciable rise in the proportion of widowed females in 1961, i.e. 14.8% as against 13.7% in 1951. The percentage of divorced women was also slightly higher in 1961 as compared to 1951, i.e. 0.62% as against 0.57% of the total of females of ten years of age and above. As a result of this rise in the proportion of married, widowed and divorced, not only the proportion but even the absolute number of single women fell in 1961 as compared to 1951. The proportion fell from 22% to 15% and actual number (aged ten years and over) of single women fell from 5,345,944 in 1951 to 4,241,137 in 1961.

Table No. 6 on pages 44-45 shows that in the age-groups ten years and above, the number of single females is about one-third of the number of single males. Further, of the total number of single females only about 10% are above the age of nineteen. In other words, a large majority of females are married by the time they reach the age of nineteen. This is also clear from the column showing percentage of married women. Almost one-fifth of them belong to age-group ten to

Table

Marital Status according to Age and

Age-Groups	Single		Married	
	M	F	M	F
10—14	41.17	68.43	0.80	4.39
15—19	29.73	21.64	2.86	14.00
20—24	16.02	4.74	8.72	16.77
25—29	7.12	2.00	14.45	17.24
30—34	2.51	1.00	14.13	13.42
35—39	1.27	0.67	13.04	10.30
40—44	0.72	0.49	11.11	8.17
45—49	0.47	0.33	8.97	5.51
50—54	0.36	0.22	8.43	4.33
55—59	0.19	0.15	4.95	12.16
60 and above	0.44	0.33	12.55	3.72
Total	100.00	100.00	100.00	100.00
Population aged ten years and above (millions)	11.06	4.21	18.72	18.78

No. 6¹

Sex - Census 1961 (Percentages)

Widowed		Divorced		Total	
M	F	M	F	M	F
0·18	0·16	0·71	7·88	20·15	19·48
0·69	0·54	3·21	19·00	14·20	16·26
3·07	1·49	12·38	15·64	10·91	12·10
5·47	2·69	18·15	13·66	10·17	10·47
6·07	4·14	24·44	9·64	8·95	8·72
6·36	5·84	11·18	7·58	7·63	7·06
8·74	10·25	9·73	7·43	6·95	6·45
8·34	10·25	7·47	5·16	5·60	4·67
10·56	15·01	6·36	4·76	5·34	4·95
7·49	9·24	3·89	2·60	3·10	3·02
43·05	40·40	12·28	6·65	7·03	6·82
100·00	100·00	100·00	100·00	100·00	100·00
1·43	4·05	0·09	0·16	31·31	27·25

1. Census 1961. Bulletin 3, from Statement 8, p. xv.

nineteen. On the other hand, single males aged twenty years or above are about 25% of the total males aged ten years or above and married males of ten to nineteen years are only about 3.5% of the total married males. This shows that females get married at an earlier age than males.

At the other end, a much larger proportion of married males belongs to high age-groups than females. This presumably is due to the fact that widow remarriage is much less common in females than remarriage of widowed males. Thus married females above fifty years are about 10% of the total married females and married males of this age-group are over 25% of the total married males.

In 1961 widowed females were about four times the number of widowed males. This again is explained by the prejudice against the remarriage of female widows and the habit of men marrying wives much younger than themselves, particularly when they remarry.

(d) *Religious distribution.* Only a few remarks may be made as regards distribution of population according to religion, even though this aspect of the population structure has undergone a radical change with the establishment of Pakistan. Pakistan was constituted by areas with a Muslim majority population before partition. The movements of population across the frontiers of the two new States further reduced the population of non-Muslims in Pakistan areas. Thus the present position is that 97.1% of the total population in West Pakistan and 80.4% of the total in East Pakistan are Muslims. Of the rest in West Pakistan 1.4% are Christians, 1% are Scheduled Castes and 0.5% are Caste Hindus. In East Pakistan these categories are 0.3%, 9.8% and 8.6% respectively of the total; the remaining 0.9% are others, mostly Buddhists.

Taking Pakistan as a whole the proportion of non-Muslims in the population fell from 29.2% in 1941 to 11.9% in 1961. In West Pakistan they are now less than 3% of the total population.

A remarkable phenomenon of Pakistan's population has been the rapid increase in the number of Christians. Between 1901 and 1961 their number increased from 32,000 to 733,000 or twenty-three times, and their proportion in the total population has increased about ten times from 0.07% in 1901 to 0.78% in 1961. During the decade 1951-1960 Christians increased by 35.8% in Pakistan—39.8% in East Pakistan and 34.9% in West Pakistan. Most of them are located in West Pakistan, i.e. 584,000 out of the total of 733,000.

The sub-continent of India has had a long history of communal conflict, rather Hindu-Muslim conflict. In fact, the partition of the sub-continent was a direct result of that conflict and the fear of exploitation generated in the minds of an important and large minority, the Muslims. The present structure of the population on the basis of religion makes such a conflict unlikely. The Hindu minority is too small to inspire fear and can be treated generously. The Christians have always been peaceful citizens in the sub-continent. This has taken away one element of civil strife, though conflicts on bases of geography, sectarianism and cultural differences in different parts of Pakistan are potentially there and raise their heads now and again. It is hoped, however, that with the passage of time necessary adjustments will take place and an integrated Pakistani nation will emerge that will put loyalty to the motherland before all sectional loyalties. This will conduce not only to political stability, but also to social cohesion and economic co-operation, factors most favourable for economic growth.

3.9 Literacy and Education

Literacy has been defined differently in the 1961 Census as compared to the Census of 1951. In the first post-Independence Census a person was classed as literate if he could read clear print in any language, even without understanding it. Many people in Pakistan, for instance, can read the Holy Quran without understanding it. They were counted literates in the 1951 Census. According to the latest Census, literacy has been defined as "the ability to read *with understanding* a short statement on everyday life in any language. The inability to write the statement, however, does not exclude one from being a literate."¹ Due to this change in definition literacy statistics of the two Censuses are not comparable.

Table No. 7 on page 48 compares percentage of literacy in 1961 on the basis of total population and also on the basis of population over five years of age, according to sex and province.

It will be seen that the vast majority of the people of Pakistan are still illiterate. Less than one-sixth on the basis of total population and less than one-fifth on the basis of population of five years of age and above come up to the low standard laid down for literacy. Comparing the position according to provinces, the Table reveals a higher literacy percentage in the eastern wing than in the western part of the country.

Table No. 7
Literacy by Sex and Provinces¹

Locality	Number of Literates ²			Percentage of total Population			Percentage of Population 5 Years and Over		
	Both Sexes	Males	Females	Both Sexes	Males	Females	Both Sexes	Males	Females
Pakistan	14,335,809	11,106,746	3,229,063	15.9	23.4	7.6	19.2	28.0	9.3
East Pakistan	89,55,501	4,846,160	3,109,341	17.6	26.0	8.6	21.5	31.5	10.7
West Pakistan	53,80,308	4,260,586	1,119,722	13.6	20.1	6.1	16.3	23.9	7.4

1. Census 1961, Bulletin 4 p. vii.

2. Excludes non-Pakistanis and population of Agencies, Added and Special Areas of Frontier Regions in West Pakistan.

Further, literacy percentage among the males is over three times that among the females, whether we take Pakistan as a whole or consider the provinces separately. This points towards the need for a greater effort to educate the female sex and to give more attention towards the spread of literacy in the western wing.

There is a considerable diversity in the level of literacy in different divisions and districts of the country. On the basis of population of five years of age and above, in East Pakistan, Chittagong division has the highest literacy percentage (23·7%), followed by Khulna division (23·4%), Rajshahi division (20·4%) and Dacca division (19·3%). In West Pakistan the highest rate is shown by Karachi division (36·6%), followed by Rawalpindi division (22·9%), Lahore division (19·5%), and Sargodha division (16·4%). Among the districts the highest position in the country is with Karachi district (38·1%).

If we take six districts with the highest percentage of literacy, all but two are in East Pakistan. On the other hand, the six districts with the lowest literacy percentage are all in West Pakistan.

The highest percentage of literacy is found in the districts of Karachi (38·1%) and Rawalpindi (32·4%) in West Pakistan—mainly due to the towns of Karachi and Rawalpindi. One has been the capital until recently and the other is now the temporary capital of the country. Otherwise, most districts of East Pakistan have a literacy percentage higher than most districts of West Pakistan. The latter province has areas of the lowest literacy percentage in the country. These are found mostly in Quetta and Kalat divisions. While there is not a single district (out of a total of seventeen districts) in East Pakistan with a literacy percentage of less than 15, there are in West Pakistan as many as thirty-one districts (out of a total of 45) which fall below this level.

As could be expected, literacy percentage is much higher in urban than in rural areas of both the provinces of Pakistan. The disparity is much higher among females than among the males.

When the total literate population in 1961 is distributed in terms of percentages between urban and rural areas, it is found that one-fourth of the total literate population of Pakistan lives in urban areas, accounting for 35·8% of the urban population. It should be noted that, according to the Census of 1961, only 13% of the total population of Pakistan reside in urban areas. About one-third of the female

literate reside in urban areas; their literacy percentage, at 23.3% is much higher than it is among rural females which is only 7.2%. The urban population is thus much more advanced from the point of view of literacy than rural population. This reflects the better educational facilities available in urban areas. Moreover, even rural people, when they get educated, tend to move to urban areas where employment opportunities for them are better.

Similar conclusions are revealed when we examine statistics of literacy relating to the provinces separately. In East Pakistan nearly 95% of the population is rural and 88.6% of the literates live in rural areas. Even these bring the literacy rate in rural areas only to 20.2%. Against this, literacy percentage in urban areas is 45.7, though only 11.4% of the total literates live in urban areas. The males in urban areas have a much higher literacy percentage than females, i.e. 54.8 as against 31.9. But a higher percentage of the total female literates live in rural areas (13.5%) than male literates (i.e. 10.8%).

In West Pakistan, where 23% of the total population is urban, a much higher proportion (49.8) of its total literates live in urban areas compared to East Pakistan's 11.4%. Hence the literacy percentage in urban areas in West Pakistan is over three times of what it is in rural areas, i.e. 33.0% as against 10.9%. And 66.9% of the total female literates in West Pakistan live in urban areas making female literacy rate in these areas equal to 21.2%. In rural areas of this province female literacy is quite negligible (i.e. 3.2% as against 17% male literacy). Female literacy in the rural areas of East Pakistan is three times higher compared to rural areas of West Pakistan.

3.10 Educational Levels

So far we have been speaking merely of literacy. This gives no indication of the level of attainments of the literates. Table No. 8 on the next page classifies literates according to educational levels attained by them.

Table No. 8
Distribution of the Literates according to Educational Level

Total Literates	Pakistan 14,335,809 =100	E. Pakistan 8,955,501 =100	W. Pakistan 5,380,308 =100
Percentage of Total:	%	%	%
Without Formal Education	14.1	16.2	10.7
Primary School (Classes I to V)	57.4	63.5	47.1
Middle and Secondary Schools (Classes VI to IX)	21.5	16.5	29.9
Matriculation (Passed)	5.1	2.8	9.0
Intermediate „	1.1	0.6	1.9
Degree ¹ „	0.6	0.3	1.0
Higher Degrees ² „	0.2	0.1	0.5
Oriental ³ „	0.03	0.2	0.04

The above Table shows that over 14% of the total literates in Pakistan have had no formal schooling. In East Pakistan, the proportion of such people in the total is about 50% higher than in West Pakistan. In actual numbers they are two and a half times, i.e. 14.5 millions against 5.7 millions. In the primary classes also East Pakistan has relatively higher numbers than in West Pakistan. Beyond the primary stage a higher percentage is found in the western wing. Thus, proportionately speaking, a larger percentage of the literates go in for higher education in West Pakistan than in East Pakistan. While at

1. Means first degree of the university, both general and professional, like B.A., B.Sc., M.B., B.S., B.E., B.Com., etc.

2. Includes M.A., Ph.D., etc.

3. Includes higher standard of theology and Oriental languages.

the primary level there were, in 1961, 5.69 million literates in East Pakistan as against 2.53 millions in West Pakistan, at the Secondary level their numbers were 1.48 millions and 1.61 millions respectively. There were twice as many Matriculates in West Pakistan (.481 million against .247 million). The same was the case regarding the Intermediates (i.e. 102,370 against 52,782). There were 82,069 University Graduates of whom 26,069 were in East Pakistan and 54,000 in West Pakistan. Those having higher degrees were 31,470 in all, of whom less than one-third belonged to East Pakistan, i.e. 7,146 against 24,324. The number of those having Oriental qualifications were about equally distributed between the two wings, i.e. 1,704 in East Pakistan and 2,099 in West Pakistan.

Thus, while the over-all literacy percentage was higher in East Pakistan, at higher levels of education West Pakistan was ahead of East Pakistan, not only proportionately, but also in absolute numbers.

3.11 The Labour Force

The size and effectiveness of the labour force of a country depend upon: (a) the total number of persons who are able and willing to work and (b) their quality and efficiency as workers.

The number of working population is determined by its age distribution and the customs and conventions regarding work by the female sex, and other practices which allow able-bodied persons to be maintained without working for their living. "It is affected by the changing level and quality of educational attainments, the extent and accessibility of work opportunities and the nature of prevailing incentives to work."¹

According to the Census of 1961, the civilian labour force (including all persons over twelve years² of age who are self-supporting or earning dependants or seeking work) was 32.58% (as against 30.7% in 1951) of the total enumerated population. In more advanced countries

1. The Second Plan, op. cit., p. 329.

2. In the 1961 Census, working force is counted of ages ten and over instead of twelve and over, which was the case in the 1951 Census. The above is an adjusted figure.

the working population is usually well over 40% of the total.¹ The smaller percentage of the working population in Pakistan may be attributed to the larger proportion of children under twelve years of age, a very small proportion of women who work for their living in the economic sense and a large number of people who are parasites on the society for one reason or another.

Table No. 9 gives the population according to economic status in 1961 and 1951, according to provinces. Civilian labour force is here taken to include persons aged twelve years and over for purposes of comparison.

The following points are notable in this Table:

(a) The proportion of civilian labour force, as defined, in the total population was slightly higher in 1961 than in 1951 in Pakistan as well as in each of its provinces.

(b) Agriculturist civilian labour force was proportionately higher in East Pakistan and lower in West Pakistan in 1961 as compared with 1951.

(c) Non-agriculturist civilian labour force showed a lower percentage of the total in East Pakistan and a higher percentage in West Pakistan in 1961 as compared with 1951.

(d) The degree of dependency decreased slightly during the inter-Census period in Pakistan as well as in its provinces taken separately.

This would mean that (i) a higher proportion of Pakistan's population was economically active in 1961, compared to the position in 1951, and (ii) the pressure on agriculture showed a tendency to decrease in West Pakistan while it markedly increased in East Pakistan. This

1. According to the *United Nations Demographic Year Book* (1955), economically active population as a percentage of total population was as under in some advanced countries:

Country and Year	Economically Active % of Total Population	Minimum Age Limit taken into Account
U. K. (1951)	46.2	15
France (1946)	52.1	14
U. S. A. (1950)	39.8	14
Japan (1950)	43.7	14

**Population according to Economic Status (Pakistan and Provinces)
1951 and 1961**

	Pakistan		East Pakistan		West Pakistan	
Economic Categories	1951	1961	1951	1961	1951	1961
Total Population	72,993,118 100%	90,282,674 100%	41,932,329 100%	50,840,235 100%	31,060,789 100%	30,442,439 100%
Civilian Labour Force	30.68	32.58	30.73	33.16	30.61	31.83
Agriculturists	23.16	24.09	25.55	28.20	19.92	18.79
Non-Agriculturists	7.52	8.49	5.18	4.96	10.69	13.04
Others including Dependents	69.32	67.42	69.27	66.84	69.39	68.7

may be due to a slower pace of the development of the non-agricultural sector in the latter province.

One of the reasons for the smaller proportion of the working force in the total population of Pakistan as compared to more advanced countries is the prejudice against the females working outside the home. If housewives are excluded from the working force the males and females in the civilian working force as percentage of the total population of each sex in 1961 was as under:

Table No. 10
Civilian Labour Force as Percentage of Total Population according to Sex, Province and Urban and Rural Areas

	Rural Areas		Urban Areas	
	Males	Females	Males	Female
Pakistan	56.13	9.61	52.82	3.13
East Pakistan	56.09	11.06	57.54	4.79
West Pakistan	56.18	7.18	51.48	2.71

It will be seen that only a small proportion of females¹ is a part of the civilian labour force as against males about 66% of whom are in the working force.

A higher proportion of females in rural areas constitutes the working force (civilian labour force) as compared to urban areas.

As between the provinces a higher proportion of females is in the working force both in urban and rural areas of East Pakistan.

In the 1961 Census the civilian labour force includes all persons of ten years of age and above either working or helping in work or looking for work. Labour force in this sense has been shown according

1. For contrast the percentages of women in the economically active population (labour force) in some other countries are given below:

U.S.A. (1950), 27.4%; U.K. (1951), 30.6%; Japan (1950), 38.6%; Philippines (1948), 40.1%.

Source: U.N. Demographic Year Book (1955).

to whether they are agriculturists or non-agriculturists, males or females, in the two provinces of Pakistan in Table No. 11 on pages 58-59.

It will be seen from this Table that in Pakistan about three quarters of the total civilian labour force is engaged in agriculture and only just over a quarter in non-agricultural professions. Among the agriculturists, by far the greatest majority are cultivators, only just over 2% of the labour force is engaged in allied activities like working in orchards, nurseries, gardening, dairy-farming, poultry-keeping, garden labour, etc.

Among the female workers, of their respective totals, 85% in Pakistan, 91.64% in East Pakistan and 70.45% in West Pakistan are engaged in agriculture. Thus the majority of the working women are found in agriculture. This percentage is much higher in East than in West Pakistan.

The non-agriculturists are 25.70% of the total working force in Pakistan, 14.74% in East Pakistan and 40.69% in West Pakistan, again indicating a greater diversification of the West Pakistan economy. This is so whether we take both the sexes together or separately. Further breakdown of the non-agricultural population is not available.

As regards the qualitative aspects of the labour force, statistics showing the types of skills possessed by different workers are not available. According to the 1961 Census (as we have already noted), over 84.1% of our people are completely illiterate. The total number of literates in 1961 was 14,335,805 of which 2,025,171 (14.1%) were without formal attainments, 8,221,733 (57.4%) had been through primary schools, 3,087,415 (21.5%) had been through middle schools, 728,986 (6.2%) had attained the Matriculation level, 82,069 (.6%) had obtained degrees and 31,470 (.1%) had Post-Graduate degrees. According to the Census of 1961, again, the proportion of persons over five years of age who were literate to the extent of being able to read clear print with understanding was 19.2%. Since the labour force is predominantly male and the literacy among males is higher, the National Planning Commission has put the literacy percentage for the labour force to be 29. As regards other skills, statistics are not available, but at the time of the 1951 Census 28% of the persons in the non-agricultural labour force were classified as skilled operators. According to the Man-Power Survey conducted by the Ministry of

Labour in 1955, 32% of those employed in large establishments were skilled or semi-skilled workers. On the whole, technical skill available in the country is extremely meagre. We lack engineers, medical men, business leaders, managers, and technicians.

Apart from technical skill there are other environmental factors which are responsible for the inefficiency of an average Pakistani worker. Climate, which is rather warm most of the year, encourages lazy habits and saps energy. Diet is inadequate and poorly balanced, and hence leads to under-nourishment and low vitality. Added to these are the high incidence of disease due to poverty, ignorance and lack of medical aid and the prevailing unhygienic ways of living. The general social environment does not encourage independence and initiative, nor does it promote co-operative efforts, while illiteracy leaves the mind uncultivated and hence unreceptive to new ideas. Above all is the general poverty of the people and hence the lack of private and public resources which could be applied for raising their general material and cultural level.

3.12 Our Population Problems

In the light of the above analysis we may now state some of the leading problems connected with our population which need solution, as we plan the economic development of Pakistan.

(1) In the past the population growth in Pakistan has been restricted mainly through high death-rates due to famines, diseases and epidemics. Famines are under control, thanks to the possibility of more food from surplus to deficit areas and through imports. Incidence of diseases and epidemics is on the decline. Death-rates have already come down from the thirties to the twenties and are likely to fall more as economic development proceeds. This will mean a still greater increase in the rate of population growth which is already well over 2% per annum. Higher rate of population growth will make more difficult the already difficult process of economic development. A policy of population control is thus indicated.

(2) Population in relation to area or density varies in Pakistan from place to place in accordance with the means of livelihood available, mainly agricultural land fit for producing crops. The pressure of population on agriculture is heavy and rising. The non-agricultural sector, particularly in East Pakistan (and less developed areas of West Pakistan), is expanding rather slowly and is still a minor part of the total economy. This pressure among other things is standing in the

Civilian Labour Force according to

Pakistan			
	Both Sexes	Males	Females
Civilian Labour Force	30,205,981	26,443,988	3,762,493
%	100	100	100
Agriculturists	74·30	72·73	85·32
Cultivators	72·16	70·63	82·86
Other Agriculturists	2·14	2·10	2·46
Non-Agriculturists	25·70	27·27	14·68

No. 11

Economic Category, Sex and Province (1961)

East Pakistan			West Pakistan		
Both Sexes	Males	Females	Both Sexes	Males	Females
17,442,957	14,802,472	2,640,485	12,763,024	11,641,016	1,122,008
100	100	100	100	100	100
85.26	84.12	91.64	59.31	58.24	70.45
83.72	82.76	89.12	56.35	55.21	68.14
1.54	1.36	2.52	2.96	3.03	2.31
14.74	15.88	8.37	40.69	41.76	29.55

way of agricultural improvement since it keeps the area per head of the agricultural labour force below the economic limit. Non-agricultural avenues of employment need to be created.

(3) Due to the influx of refugees and also due to the process of industrialisation towns are growing at a rapid rate creating all sorts of social and economic, if not political, problems for the country. This points towards the necessity of intelligent town-planning and provision of amenities of town life to the growing urban population.

(4) Among the structural defects of Pakistan's population, as revealed by our study, are: (a) a high degree of dependency due to high proportion of young children in the population, (b) female shortage due to higher female mortality in childhood as well as during the reproductive period; (c) a very low age of marriage in the case of females which implies high potential for population increase and adverse effects on the physical growth and health of the female part of the population.

(5) In spite of the fact that working age in Pakistan is counted from twelve years and above (in contrast with developed countries where it is counted from fourteen or fifteen years and above), the proportion of working population to total population is much smaller in Pakistan than in more advanced countries and even compared to some other less developed countries. This is due partly to the high proportion of young children in the population and partly to the prejudice against women entering the labour force. This has increased the degree of dependency to over 70%.

(6) Qualitatively speaking, the labour force in Pakistan suffers from many handicaps. Due to the still high incidence of disease and under-nourishment, the physical vigour of most of the working classes is well below par. Added to this is the high incidence of illiteracy, particularly among women and in rural areas, lack of training and in many cases lack of incentives due to social factors. The number of middle-class and high-class technicians and other experts, managers and administrators is inadequate for the needs of the development process. Efforts are being made to create training opportunities domestically and to afford opportunities of foreign travel to the selected few. We have yet far to go in this direction.

13 Problems of Population Control

We have already made out a case for adopting a policy of population control in Pakistan. But the establishment of the need for such a

policy is not enough. Several problems arise so far as its implementation in practice is concerned. These may be discussed under five major heads.

- (i) Changing the attitudes of the people;
- (ii) Discovering the best techniques for family planning suited to the conditions in the country;
- (iii) Supplying the people concerned with the necessary drugs or contraceptives and arranging for instruction for their use;
- (iv) Evaluation of the results; and
- (v) Provision of the necessary financial resources.

(i) Changing the attitudes of the people towards family planning is not an easy task under the conditions prevailing in Pakistan where the incidence of illiteracy is so high and where people stick so hard to conventions. People have to be convinced that family planning is not against their religion, that it will increase their material welfare and that it is possible to restrict the number of children at will. This is a matter of education through all the available modern means of reaching the masses like group discussions, radio speeches, etc. Our masses can understand what is good for them if a proper approach is made. The question is of breaking down prejudice. In the words of the Second Plan, "The motivation for fewer children and more abundant life is more important than mere dissemination of knowledge of the means of contraception. Widespread family planning will come only when people will realise that rising standards of living are important for them and their children."¹ This will result among other things from the slow educational process influencing both men and women, particularly the former. It has been found from recent researches in rural areas that the main resistance to family control springs from the side of the males. The reason is obvious; it is the woman who has to bear the burden of frequent child-births. All Government and private agencies, school teachers, *Imams* of mosques and *Pirs* (if they can be convinced) can make their contributions in influencing the people in this respect. In Pakistan we have already a Family Planning Association with branches in the two wings of the country which holds conferences and seminars for evolving ideas and propagating them in connection with planned parenthood. It has also established clinics for practical instruction in the family planning methods. The activities

of this unofficial body, though commendable, hardly touch the fringe of the problem. It is necessary that the Government should adopt a more vigorous policy in this matter. We are glad to note that the Government has recognised the paramount need for a conscious population policy. A family planning campaign has been made an integral part of the Second Five-Year Plan.

(ii) The most important practical aspect of family planning is, however, the need of discovering contraceptives suited to conditions and requirements of developing countries like Pakistan. The ideal method must meet three major conditions: (a) it must be simple which can be easily used by an illiterate population; (b) it must be cheap so that people of low incomes can use it without financial strain; (c) it should in no way be harmful to the human organism. Such a method yet remains to be discovered, though some pills have been widely distributed and are supposed to be quite effective. Some success has been obtained in the use of these pills in some countries, but there is still a serious doubt regarding the possible harmful results of their long-term administration. The scientists are, however, hopeful that in the near future this problem will be successfully solved. If a cheap and effective method is found, it will have revolutionary results, not only for the underdeveloped countries, but also for the more advanced countries of the world, where still many children are born without being really wanted. In the meantime, whatever imperfect methods are available should be put to use as far as possible, and people made conscious of the necessity of exercising control over the size of their families.

(iii) The third problem is that of supplying these contraceptives to the people who have to use them. For this purpose, as already noted, the Family Planning Association of Pakistan has opened up a few clinics the number of which can be increased. Under the Second Five-Year Plan there is provision for a nationwide family planning programme. In the words of the Plan, "clinics will be established in all hospitals, dispensaries and maternity centres. In the rural areas the V-AID organisation (now replaced by Basic Democracies) will be linked with this programme."¹ A large-scale scheme has already been prepared and is under implementation for the training of doctors, nurses and health visitors for this purpose. The Plan made an allocation of Rs. 3 crores for this purpose.

(iv) Family planning is a long-term programme and is not expected to yield quick results. It is, however, necessary to know periodically to what extent the programme is having any impact on the people. For this purpose periodic surveys of selected areas will be necessary to find out (a) how far the people have accepted family planning as a mode of improving their economic conditions; (b) what difficulties are being encountered in practice in influencing the people's opinion and in ensuring the necessary supplies and the use of the contraceptive methods; (c) thirdly, whether family planning resulted in the decrease of births in the area. This may be found out by comparing birth-rates during the period of the use of contraceptives with earlier birth-rates in the same locality or birth-rates in some other similarly situated locality. These surveys can serve as good guide for future policy in this connection.

(v) Once the people have accepted family planning as one of the methods of improving their per capita incomes and they have reached a level of income through economic development which enables them to purchase the contraceptives themselves, the programme will become self-financing. But until that stage is reached considerable expenditure will be involved in the establishment of clinics, training of personnel and the purchase of contraceptives. The task can be undertaken either by the voluntary associations of people like the Family Planning Association of Pakistan or by the State. Under conditions in Pakistan unofficial agencies are not likely to go far even though whatever they can do is a valuable contribution. The taxpayer, therefore, must bear the responsibility of this campaign in national interest. In the future development plans substantial amounts must be provided for this purpose which should be more than the paltry sum of Rs. 3 crores allocated in the Second Plan.

CHAPTER 4

The Agricultural Sector

The Need for Increasing Production

4.1 The Role of Agriculture in the Economy

Agriculture, including the allied occupations of animal husbandry, forestry, fisheries and horticulture, constitutes the predominant sector of the economy of Pakistan. It contributes over 50% to our total national income and gives employment to 75% of the civilian labour force. About 90% of the people of the country living in the rural areas depend directly or indirectly on this occupation. It is responsible for nearly 90% of our total foreign exchange earnings. The prosperity and stability of agriculture is the foundation of the prosperity and stability of our entire economy. A high proportion of the revenues of the State, both at the Central and the provincial levels, is derived from taxes on agricultural land and its products.

The actual and potential role of the agricultural sector in Pakistan's economy is very great indeed. Most of the industries that we are developing use agricultural raw materials produced in the country. Apart from foreign aid, the importation of essential goods largely depends upon our agricultural exports. Agriculture must feed the growing number of our total population, and still more rapidly growing number of the urban population consequent upon the growing industrialisation. Moreover, as development proceeds and per capita income rises, the demand for food is likely to grow even at a higher rate than the growth of the population. Finally, without

a prosperous agricultural sector, no sizable industrial programme can be sustained, since the increased industrial products must find markets mainly within the country and particularly among the rural masses. For all these reasons agriculture must be given the highest priority in our development programmes, so that agricultural production may grow rapidly enough to meet the growing needs of the country.

4.2 Causes of Past Neglect

Unfortunately, in the past the agricultural sector of Pakistan's economy has not received due attention from the people and the Government. Agricultural development has been very tardy indeed, particularly as compared to the advances made in the industrial sector. There have been in the first place some basic defects in the agricultural organisation of the country inherited from pre-Independence days. Among these most notable have been the defective system of land tenure which has inhibited incentives for human effort and capital investment, uneconomic units of cultivation which have made it difficult, if not impossible, to apply more productive techniques, the illiteracy, ignorance and conservatism of the mass of the cultivators, which have created resistance to new ideas, irregularity and inadequacy of water supply, on the one hand, and periodic floods, on the other, which have prevented optimum land use and so on.

On top of these elements which have been there all along, the partition of the country brought some further handicaps to the newly-created State, which delayed tackling these problems by the new national Government. Among these factors were migration of non-Muslims who controlled the credit, banking and marketing structure of these areas, dominated administrative departments of the Government including departments connected with agricultural development, like the Agricultural Departments, Co-operative Department, Veterinary and Forest Departments. This led to a paralysis of basic administrative and developmental activities in the agricultural sector as in other fields of national life. The incoming refugees failed to fill the gaps thus created, at any rate for a time. They were a frightened and resourceless set of people who came to a land where conditions were not exactly the same as in their old homes. Even the methods and techniques of farming were not identical. Naturally, they took some time to adjust themselves to the new

situation. Moreover, delay in settlement of titles to land created a general sense of uncertainty which was not calculated to inspire these people to undertake hard work and capital investment, even if they had capital to invest. Finally, greater attention was given both by Government and private capital and enterprise to trade, commerce and industry in the name of balanced growth, and due to the attraction exercised by prospects of quicker and higher profits.

4.3 The New Outlook and Its Causes

The adverse elements introduced into the situation have largely been eliminated. Titles to land have been finalised and the refugees have been settled and absorbed into the economy; a new banking structure has been built and some agricultural credit institutions have been established, trade and commerce has been normalised, and gaps in administration have been filled up. Agricultural education and research institutions have been strengthened and some new ones created. The new land reforms introduced by the Martial Law Government have eliminated some of the worst features of the land tenure system inherited from pre-partition days. The Government has after all realised the strategic importance of the agricultural sector in the economy and steps are being taken to find solution for its basic problems.

The urgency of giving immediate attention to the agricultural sector was realised by the Government, mainly on account of two developments: (a) the appearance of food shortage, (b) the rapidly growing menace of waterlogging and salinity.

At the time of the partition it was widely believed that Pakistan as a whole was self-sufficient in food and West Pakistan produced a surplus of foodgrains. There was thus a sense of complacency so far as the food problem was concerned, which was strengthened by good harvest for a few years after the partition. The drought in 1952 caused shortage of wheat in West Pakistan and large quantities of it had to be imported. In 1956, there was a serious shortage of rice in East Pakistan. Foreign exchange, which was so scarce and so badly needed for financing of developmental imports, had to be diverted to pay for foodgrain imports. Since then Pakistan has been importing larger and larger quantities of foodgrains to feed its people. The Government in the meantime has realised the seriousness of the position in this respect. In 1956 an Agricultural Conference led to the drawing up of a programme for agricultural development,

This initiated the change in policy, the need for which was further underlined by the failure of the First Five-Year Plan to achieve its agricultural targets.

West Pakistan's becoming a food deficit area has surprised many. But the causes are not far to seek. In the first place it was not realised by the holders of the "self-sufficiency theory" that even though before partition, West Punjab exported wheat to other parts of India, yet it made good the deficit in foodgrains by importing large quantities of coarse grains from the East Punjab areas. Thus export of wheat was not a net surplus. Secondly, there has been an increasing pace of urbanisation which has necessitated a larger flow of food-grain surplus from the rural to the urban areas and, thirdly, population of the country has been increasing at a high rate as revealed by the latest Census. In the face of this increasing demand, the supply of foodgrains has not increased correspondingly due to the factors already noted by us in a previous paragraph.

As regards waterlogging and salinity, this menace has not appeared suddenly. The problem was there even before the partition, but its importance was not realised so fully as now. The policy of planned development led to a closer look at the obstacles in the economy, observations of some foreign experts and the pressure of food shortage brought the problem to the forefront. The recently taken Agricultural Census has given a more up-to-date and quantitative assessment of the various problems of our agriculture which were elaborated in detail by the Food and Agricultural Commission in its voluminous but extremely valuable report published in 1960.

4 · 4 The Need for Increasing Agricultural Production

The ultimate objectives of agricultural development in Pakistan may be thus stated:

- (i) Increasing per capita income of the people engaged in agriculture in order (a) to enable them to maintain a higher standard of living than the present one; (b) to create a surplus of income over consumption to materialise into savings and capital formation.
- (ii) To produce adequate quantities of foodgrains and other food items to ensure a balanced diet to the rural as well as the fast growing urban population, whose demand for food is going to increase not only because of their increased numbers but in consequence of the higher per capita income resulting

Table

Production of Principal

Crop	Average 1947-48 to 1951-52		
	E. Pak.	W. Pak.	Total
Rice (cleaned)	7,233	756	7,983
Wheat	21	3,619	3,627
Bajra	—	342	342
Jowar	—	232	232
Maize	2	377	380
Barley	16	132	148
Gram	50	577	648
Total Food-Crops	7,322	6,055	13,360
Sugarcane	3,308	6,214	9,565
Rape and Mustard	87	179	267
Cotton (Lint)	3	214	217
Jute	1,000	—	1,000
Tea	17	—	17
Sesamum	26	7	32
Tobacco	44	24	69
Total cash Crops	4,485	6,638	11,167
Total Principal Crops	11,807	12,693	24,527

Source: Economic Survey, 1963-64, Tables No. 11, 14, 17.

No. 12

Crops (1,000 tons)

	Average 1957-58 to 1961-62		% increase and decrease in Pakistan
E. Pak.	W. Pak.	Total	
8,397	988	9,385	+17·6
29	3,796	3,812	+5·1
—	314	314	—8·2
—	218	218	—6·0
4	462	466	+22·7
15	137	152	+2·7
35	607	641	+1·0
8,480	6,521	14,988	+12·2
3,917	11,898	15,984	+67·1
91	229	320	+20·0
3	296	299	+37·7
1,042	—	1042	+4·2
23	—	23	+35·3
25	8	33	+3·0
32	60	92	+33·3
5,133	12,491	17,623	+57·8
13,613	19,012	32,611	+32·9

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from economic growth.

- (iii) To produce larger quantities and better quality of industrial raw materials: (a) to feed our growing industries and (b) to have larger surpluses for export to earn foreign exchange which is a scarce, but very essential, element in the growth of the economy.
- (iv) To ensure fuller employment, not only to the already under-employed labour force in rural areas, but also to absorb in the economy (even rural economy) at least a part of the increased labour force resulting from future population growth.

These goals imply the optimum use of the natural and human sources of the country in order to increase production of the right kinds of agricultural products in right quantities and of the right standards of quality.

5 Past Trends in Agricultural Production

A few statistics may be quoted here to get a general idea of the increase in production of agricultural commodities in the past.

Agricultural production is greatly influenced by the seasonal factor; therefore, annual statistics may be misleading. Table No. 12 pages 68-69 gives four-year averages of two periods and shows how production of some important agricultural commodities has changed during the post-Independence period.

It will be seen that over the period, food-crops increased by 12% mainly due to greater rice production in East Pakistan. West Pakistan's major foodgrain increased only by 5.1%. There was a decrease in the production of inferior foodgrains like bajra and jowar most exclusively produced in West Pakistan, presumably due to substitution of wheat in the diet of the poorer classes in the rural areas. Production of maize, grown mainly in West Pakistan, increased about 23%, most probably for use as fodder.

Among the cash crops sugarcane showed the highest percentage increase (67.1%) due to higher returns on account of higher prices artificially maintained at two to three times the world prices.¹ Actually, the land in the Indus Valley is more suited for cotton, the production of which increased by about 38%. Production of tea has increased by 35% to meet the growing domestic consumption. Tobacco increased in East Pakistan but increased in West Pakistan, some

areas of which are particularly suited for growing high quality tobacco for cigarette manufacture. On the whole, the quantity of cash-crops measured in tons increased by about one-third.

Much of the increase in production has taken place during the Second Five-Year Plan period and the closing year of the First Five-Year Plan period as the Index Numbers given below testify:

Table No. 13
Index of Agricultural Production

(Base: Average 1949-50 to 1952-53)

	All Crops	Food- crops	Non-food- crops	Fibres
1948-49	105	109	97	87
1955-56	99	94	119	116
1958-59	108	103	145	108
1963-64	136	134	172	116

4 · 6 Need for Increasing Food Production

Although domestic production of foodgrains has increased by about 25% over what it was in 1948-49, it has failed to increase in proportion to the needs of the growing population. Comparing again the averages of four years ending 1961-62 with those ending 1951-52, we find that our dependence on imported food has increased substantially.

Table No. 14
Per Capita Availability of Foodgrains¹

	Average 1948-49 to 1951-52	Average 1958-59 to 1961-62	% increase + decrease -
Domestic production (lakh tons)	129.7	146.7	+13.1%
Allowance for seed, animal feed, wastage, etc., at 10% (lakh tons)	12.97	14.67	+13.0%
Imports (lakh tons)	5.42	12.43	+129.3%
Exports (lakh tons)	1.57	0.84	-46.5%
Available for consumption	116.21	143.71	+22.8
Population (in lakhs)	759.99	928.73	+22.2
Per capita availability ozs. per day	15	15	

The Table reveals that domestic production of foodgrains failed to increase in proportion to the increase in population. To maintain consumption per head, imports had to be increased by about 130% and exports decreased by over 46%.

If account is taken of the need for and availability of non-cereal foods like meat, eggs, milk and milk products, fruit and vegetables so essential for a balanced diet, the food deficiency in the country is much greater than is revealed by the statistics of foodgrains quoted above.

So far as foodgrains are concerned, an important objective of the Second Five-Year Plan was to achieve self-sufficiency in this respect. The Plan provided for an increase of 21% in foodgrain production—from 132 lakh tons at the end of the First Plan to 159 lakh tons by the

1. Foodgrains here cover rice, wheat, barley, maize, bajra and jowar. Based on Economic Survey, 1963-64, Table 9.

end of the Second Plan period. It is now estimated that by 1964-65 the production of foodgrains will exceed 160 lakh tons, thus going beyond the target. But the target was based on an estimated annual increase of 1.8% in population. The 1961 Census, however, has revealed that during 1957-61 population increased at the rate of 2.3% per annum. Some more recent studies forecast even a higher rate. It will appear, therefore, that we are still far from the target of self-sufficiency in foodgrains. Hence a much greater national effort will be needed to achieve this objective. According to the tentative figures of the Third Five-Year Plan, the targets for foodgrains are 26% increase in rice, 23% in wheat, and 20% in minor foodgrains during the Plan period (1965-70). This will give an overall increase of 25% for all foodgrains taken together.

4.7 Balancing Foods and Their Deficiency

Apart from foodgrains other important constituents of food which supply essential proteins and vitamins are even more deficient in supply in the country. The consumption of these items of food makes a diet more "balanced," thus promoting growth and protection against disease and under-nourishment. In fact, a higher proportion of cereals in the diet is an indication of the poverty of the consuming unit. In more advanced countries the proportion of cereals as a source of caloric intake is relatively smaller and that of "protective," foods greater. Table No. 15 on page 74-75 gives per capita food consumption in terms of calories derived from different items of diet.

It will be seen that underdeveloped countries with per capita income of about \$200 or less have two-thirds to three-quarters of their per capita caloric intake derived from cereals as against only about one-quarter in the case of the developed countries. Pakistan's consumption of non-cereal foods is among the lowest in the world. We need several times more production of fruits and vegetables, meat and eggs, milk and fats to get a satisfactory level of balanced diet.

The framers of the Colombo Plan estimated the following deficiencies on the basis of consumption in 1949. Since then production of some of these items, like fruit, may be more, but the population has increased markedly. These deficiencies stated in the Table No. 16 on page 76 may thus be regarded as the most modest estimate for today.

Table
Per Capita Food
(Calories)

Name of Country	Year	Cereals	Potatoes and other Starchy Roots	Sugar and Syrup	Pulses and Nuts	Fruit and Vegetables
Pakistan	1956-57	1,617	...	148	84	63
India	1956-57	1,313	28	144	246	29
Ceylon	1956	1,160	79	190	344	33
Turkey	1956-57	1,900	62	138	124	168
Philippines	1954-55	1,281	135	187	42	93
Japan	1956	1,391	162	138	137	82
U.S.A.	1957	667	98	485	78	181
U.K.	1957-58	847	185	548	66	122
Sweden	1957-58	702	192	451	35	102

1. Source: F.A.O. Compiled by C.S.O. Quoted by F. & Ag. Commision Report,
[p].559-60 Table 5.3 .

No. 15

Consumption in Selected Countries¹

Per Day)

Meat	Eggs	Fish	Milk	Fats and Oil	Total	% Cereals	Per Capita Income 1952-54
24	2	5	125	86	2,150	75·2	\$ 70
6	1	4	91	91	1,850	70·8	60
12	4	30	31	79	1,960	60·0	110
67	6	5	74	126	2,670	71·2	210
62	10	28	18	80	1,940	66·5	150
14	14	63	23	74	2,100	66·2	190
569	81	19	434	492	3,100	21·5	1,870
546	55	29	348	548	3,290	26·7	780
372	41	68	496	492	2,950	23·9	950

Table No. 16
Deficiencies in Non-Cereal Foods

Food Items	Minimum Per Head Needed (ounces)	Per Capita Per Day Consumption (ounces)	% Increase Needed
Vegetables	6.0	1.58	300%
Pulses	3.0	0.8	250%
Fats and Oils	1.5	0.3	400%
Fruits	3.0	2.0	50%
Fish, Meat, Eggs	2.5	0.9	200%
Milk	8.0	2.3	250%

One of the aims of the Second Five-Year Plan in the agriculture sector was "raising dietary standards through increased supplies of fish, fruits, vegetables, sugar, and livestock products."¹

The Plan targets of production of such articles of diet were to increase sugarcane production from 154.3 lakh tons to 208 lakh tons or 34%; oilseeds from 9.35 lakh tons to 12.30 lakh tons or 32%; fruits and vegetables from 43.58 lakh tons to 48.98 lakh tons or 12%; grams and pulses from 9.20 lakh tons to 10.25 lakh tons or 11%; and fish from 2.90 lakh tons to 3.60 lakh tons or 24%. It is expected that these targets will be achieved by 1964-65 except in the case of fruits and vegetables. The production of fish is expected to increase by 35% instead of the target of 24%.

The Third Plan (tentatively) envisages a further increase, over the base period, by 34% in the case of sugarcane, 35% in the case of grams and pulses, 31% in the case of oilseeds and 28% in the case of fruits and vegetables.

Even if these targets are achieved, considerable deficiency will still be left to be made up during the subsequent Plan periods.

4.8 The Need to Increase Commercial Crops Production

The so-called commercial crops (mainly non-food-crops) are needed

1. The Second Five-Year Plan (June 1960), p. 127.

for two purposes: (i) to serve as raw materials for domestic industries and (ii) for export. In the former capacity they may help in saving foreign exchange (in addition to contributing to the expansion of the industrial sector with all its impact on incomes, employment, etc.) and in the latter capacity they are foreign exchange earners. The demands for these two purposes are in one sense competing because a diversion from export to internal consumption (assuming production to remain constant) reduces the country's foreign exchange earning capacity. In another sense, these demands are complementary, because if domestic industries produce import substitutes they reduce the pressure on foreign exchange and set free a larger amount for developmental imports.

The relative importance of our various products as foreign exchange earners is indicated by the Table given below:

Table No. 17
Recorded Receipts from Exports¹
(Rs. crores)

	1961-62	1962-63
Cotton	16.38	40.10
Cotton Manufactures	4.92	9.18
Jute	86.98	84.75
Jute Manufactures	33.90	31.71
Hides and Skins	8.93	8.06
Tea	2.42	1.02
Wool	8.73	9.13
Other Exports	34.20	44.14
Total	196.47	228.09

The Table reveals that in 1961-62 raw cotton and jute together contributed 61.6% to our total export earnings and in 1962-63 as much as 62.3%. If cotton and jute manufactures are also included, the percentage rises to 81.3 in 1961-62 and 80.3 in 1962-63. For

Some time after independence these two commodities earned between 80% to 90% of our total foreign exchange. Now they earn about the same percentage partly in raw state and partly as manufactured goods. Their importance is further underlined by the fact that exchange earned from these exports was more than adequate to meet the entire payments for imports on private account. The production of these major exchange earners, therefore, must be increased. This is fully realised by the Government.

The average annual production of jute during the fifteen years ending with 1961-62 was 55.58 lakh bales, the production for 1962-63 was 63.00 lakh bales and the estimates for 1963-64 are 60.00 lakh bales. This is much below the target fixed in the Second Plan for 1964-65 which is 73.00 lakh bales. The Third Plan is contemplating in terms of 80.00 lakh bales. This points towards a heavy increase in production of raw jute.

As regards cotton, its average annual production for the fifteen years ending with 1961-62 was 15.33 lakh bales, although the figure for 1961-62 was 18.40 lakh bales. Production increased to 20.76 lakh bales in 1962-63 and the estimate for 1963-64 put it at 23.70 lakh bales. As against this the Second Five-Year Plan had fixed a target of 22.99 lakh bales. The target, thus, has already been exceeded by 78,000 bales. But the production of cotton needs further increase to meet the growing domestic demand and to rehabilitate our export trade in this commodity which has suffered a setback in recent years. Our exports of cotton fell from 9.27 lakh bales valued at Rs. 40.29 crores in 1955 to only 2.12 lakh bales valued at Rs. 10.36 crores in 1961, later improving to 4.22 lakh bales valued at Rs. 18.72 crores in 1962.

That more cotton is needed is evident from the fact that the tentative figure fixed for the last year of the Third Plan (1969-70) is 30.00 lakh bales.

Tea is basically a product of the agricultural sector, though it goes through a process of manufacture before it is ready for consumption and export. It earns a sizable amount of foreign exchange and can earn more if more production is available at competitive prices. Tea contributed Rs. 2.42 crores in 1961-62 and Rs. 1.02 crores in 1962-63. Its export during 1963-64 was banned because of internal demand and high prices at home. But the long-term Government policy is to encourage the production as well as export of this

important beverage which has almost unlimited demand at home and abroad.

As a result of Government encouragement, the area under tea increased from 76,000 acres in 1958-59 to 84,000 acres in 1963-64 or by over 10% in five years. Production has varied with seasons but it increased from 535 lakh lbs. in 1958-59 to 588 lakh lbs. in 1961-62. The estimate for 1963-64 is a little lower at 550 lakh lbs. To encourage its exports the Government has recently abolished the 15 paise per lb. export duty on tea and has allowed brokers to withdraw up to 25% of tea from internal auctions if the prices were considered low and another 25% with the approval of the Vice-Chairman, Tea Board.

The target fixed for the year 1964-65 by the Second Plan is 638 lakh lbs. It is unlikely that this will materialise in a year's time. The Third Plan has tentatively put the target for 1970 at 790 lakh lbs.

Raw wool also contributes a sizable amount to our foreign exchange earnings. This amount needs to be increased through raising larger numbers of better quality sheep in areas suitable for such activities in Pakistan, i.e. tribal areas, Quetta and Kalat divisions, etc. Similar is the case with hides and skins which contribute above the same amount to the country's foreign exchange earnings. Our cattle, sheep and goat population needs more attention than they have received hitherto.

4·9 Change in Cropping Patterns

Table No. 18 on pages 82-83 gives some idea of the nature of the cropping patterns in Pakistan. Since cropping patterns differ in the two provinces, separate figures have been given for each.

We compare average area during four-year periods to eliminate the seasonal fluctuations. The periods are 1947-48 to 1951-52 and 1957-58 to 1961-62. It will be seen that in East Pakistan 85·2% of the total area under principal crops was sown with rice in the first period. This percentage increased to 86·9% in the second period. There was an increase of 10 lakh acres in the second period over the first period or about 5%. The area under cash-crops actually fell by about the same amount. This is natural when population is increasing, yields are more or less constant and the area under cultivation has hardly any scope to increase. This is in spite of the larger imports of rice during the second as compared with the first period. What is most striking is that food-crops (mainly rice) occupy about 87% of the total cropped area and the province is still deficit in food.

Cash-crops occupy about 12% to 13% of the total area under principal crops of which about half is under jute. Thus jute and rice together claim about 95% of the total area under major crops. In 1958-59 the total cropped area in East Pakistan was 259.27 lakh acres out of which 239.06 acres or over 92% was under principal crops mentioned in the Table. This underlines the need for diversification of the pattern of cropping. But this in East Pakistan can only be accomplished by releasing some of the area under rice. This can be done only by increasing the yield per acre which is among the lowest in the world, as we shall see.

There is more diversification of cropping in West Pakistan, though the situation is not satisfactory even there. Wheat, the main cereal consumed by the people, occupies just over 40% of the total area under principal crops. This latter area was 80% of the total cropped area in 1958-59. The area under rice forms about 10% of the total and shows a tendency to increase. Other food-grains account for about 15% of the total and gram about 10% making 25% for food-crops other than wheat and rice. The proportion of the area under foodgrains (especially, inferior types) have shown a decrease over the period. But even then the area under food-crops is still about 80% of the total under principal crops. The cash-crops account for the remaining 20 to 21% of the total. Among the cash-crops cotton claims about 12%, oilseeds about 5% and sugarcane about 4%. Sugarcane has become relatively more important in the second period than in the first due to the development of the sugar industry. The total area under both food and non-food crops increased during the interval under consideration, the latter increasing at a higher rate than the former.

That cropping pattern is more diversified in West Pakistan as compared to East Pakistan, is further indicated by the fact that the margin of cropped area left over and above the area under principal crops is 20% of the total as against 8% in East Pakistan.

One of the aims of the agricultural policy in both the wings of the country should be to reduce the area currently occupied by food and non-food crops by improving yields. The area thus released may be used for producing more fruits, vegetables and livestock to enrich the diet of the people and make it more "balanced." More areas is also

needed for growing forests. Where new land can be brought under cultivation or old land can be reclaimed from waterlogging, salinity and soil-erosion, the same purpose can be served partly by these methods.

Table
Change in
Area under

Crops	East Pakistan			
	Average 1947-48 to 1951-52		Average 1957-58 to 1961-62	
	000 acres	% of total	000 acres	% of total
Rice	19,653	85.2	20,776	86.9
Wheat	93	1.7	126	1.4
Bajra	1		—	
Jowar	1		1	
Maize	10		13	
Barley	82		63	
Gram	203		140	
Total Food-Crops	20,043	86.9	21,119	88.3
Sugarcane	226		269	
Rape and Mustard	472		536	
Cotton	56		48	
Jute	1797	7.9	1609	6.9
Tea	74		77	
Sesamum	136		136	
Tobacco	129		108	
Total Cash-Crops	2,890	13.1	2,783	12.7
Total Principal Crops	22,933	100.0	23,906	100.0

(Source of Data; C.S.O.)

No. 18

Cropping Patterns

Principal Crops

West Pakistan			
Average 1947-48 to 1951-52		Average 1957-58 to 1961-62	
000 acres	% of total	000 acres	% of total
2,182	9.0	2,878	10.2
10,329	42.2	11,853	42.0
2,223	9.0	1,947	6.9
1,995	4.5	1,124	3.9
948	6.2	1,148	4.0
469		492	1.7
2,448	10.0	2,903	10.1
19,794	80.9	22,345	78.8
487	1.9	1,015	3.6
1,118	4.6	1,315	4.0
2,945	12.0	3,365	11.9
—	—	—	—
—	—	—	—
56	0.6	77	0.8
43		96	
4,649	19.1	5,868	21.2
24,443	100.0	28,213	100.0

CHAPTER 5

Extension of Cultivation

5 · 1 Two Broad Approaches

In the last chapter we argued for the necessity of increasing agricultural production in Pakistan. Now the question is: How can this be accomplished? There are, broadly, two methods of approach which also have been followed with varying degrees of success in the country:

- (i) Measures for improving the area under cultivation.
- (ii) Measures for increasing the yields per acre of various agricultural products.

In this chapter we propose to discuss the first approach. It involves bringing more area under cultivation from what is classified in land records as "culturable waste" and "current fallow." This may be done by: (a) extending irrigation facilities to new areas; (b) reclaiming land which has gone out of cultivation due to waterlogging, salinity, or soil erosion; (c) eliminating or reducing the area kept as fallow (i.e. without a crop for a season) through the use of alternative methods of maintaining the fertility of the soil.

5 · 2 Land Utilisation

Before discussing these methods it is necessary to have an idea of the way land is being utilised in Pakistan.

The total area of Pakistan is a little over 233 million acres, of which just over 62 million acres are under cultivation. About 9 million acres are under forest, about 24 million acres are classed as culturable waste, 56 million acres as unculturable wasteland and about 83 million acres have not been classified. In Table No. 19 these

classes of area are shown in the two wings of the country.

Table No. 19

Land Utilisation in Pakistan¹
(1958-59)

Classification of Land	Total		West Pakistan		East Pakistan	
	Million Acres	% of Total	Million Acres	% of Total	Million Acres	% of Total
1. Forest Area	8.67	3.7	3.21	1.6	5.46	15.8
2. Not Available for Cultivation	55.75	23.9	50.14	25.3	5.61	16.2
3. Other Uncultivated Land (excl. Current Fallow)	21.53	9.3	19.61	9.8	1.92	5.5
(a) Current Fallow	10.97	(4.7)	9.19	(4.6)	1.78	(7.2)
(b) Net Area Sown	51.88	(22.2)	32.00	(16.1)	19.88	55.3
4. Total Cultivated Area (a) + (b)	62.85	26.9	41.19	20.7	21.66	62.5
(c) Area Sown More Than Once	9.25	(3.9)	3.89	(1.9)	5.36	(15.4)
(d) Total Cropped Area (b) + (c)	61.13	(26.1)	35.89	(18.0)	25.24	(70.7)
5. Total Area Reported (1 + 2 + 3 + 4)	148.80	63.8	114.15	57.4	34.65	100.0
6. Area Not Reported	84.28	36.2	84.28	42.6	—	—
7. Total Area (5 + 6)	233.09	100.0	198.44	100.0	34.65	100.0

It will be seen that over two-fifth of the area of West Pakistan has not been surveyed and classified. Most of this area presumably lies in the Frontier regions. It is necessary to complete the survey of our land area in order to get a clear picture of the land utilisation of this wing of the country. Another notable feature of the Table is the high

1. C.S.O.: *Statistical Pocket Book*, 1964, p. 57.

proportion of the area in the country, particularly in West Pakistan, which is not available for cultivation. This is almost one-quarter of the total area of the country and over 25% of the area of West Pakistan. This area is under railways, roads, canals, buildings, etc. Some of it may be barren deserts and hills not available for the cultivation of crops and trees. The amount of culturable waste as shown under "Other Uncultivated Land" in the Table, indicates the possibilities of extensive cultivation through the spread of irrigation and the implementation of various drainage schemes, current or prospective. Such area is about 10% of the total area of Pakistan. It is not necessary, however, that culturable waste must be economically profitable to reclaim. It all depends upon the costs involved and the value of the products that could be grown in such an area. The area under forests is less than 4% of the total area of Pakistan. It is, however, about 16% of the total in East Pakistan and only about $1\frac{1}{2}$ % of the total in West Pakistan. According to expert opinion, a healthy economy must have about 25% of the total area of the country under forests. This indicates the headway which needs to be made in increasing the area under this use. The total area under cultivation includes area under crops at a particular time, and area which is left as fallow during the year concerned. About 5% of the total area in West Pakistan and 7% in East Pakistan is classed as current fallow. The land is left fallow for a time in order to enable it to regain its fertility through the action of the sun and the air. If adequate manuring and water were available, it would not be necessary to keep the land periodically free of crops, and in this way about 11 million acres would be available for additional crops. But as it is, current fallow is a necessity, even though it reduces the net area sown in a particular year. The Table indicates that just over one-fifth of the total area in Pakistan in a particular year is actually under crops. This percentage is over 55 in East Pakistan, because of the smaller magnitude of the area classed as "Not Available for Cultivation," and the absence of "Area Not Reported." In West Pakistan a high proportion (42.6%) of the area remains unclassified and again a fairly high proportion (25.3%) is not available for cultivation for one reason or another. If the area not classified is surveyed, the proportion of net area sown will be larger, though not very significantly so, because the regions which are not yet classified are mainly arid mountains, valleys or deserts.

5.3 The Need for Irrigation

The need for artificial irrigation arises when the rainfall in a

country is either inadequate for raising crops, or is unevenly distributed geographically or seasonally, or is uncertain and irregular. These conditions are found in Pakistan, more particularly in the Western Wing. In East Pakistan, 98% of the total cultivated land depends upon rain. The average rainfall in the province as a whole is 76 inches per annum. It is, however, unevenly distributed both geographically and seasonally. The highest rainfall has been recorded at Lallakhet (Sylhet district), it being 226 inches, and the lowest at Lajitpur (Rajshahi district), 53 inches. Most of the rain (65 inches on average) falls within four to five monsoon months; the rest of the year is more or less dry and irrigation is needed for crops though not on a very extensive scale as is the case with West Pakistan.

The average annual rainfall in West Pakistan is less than 20 inches. In some areas it is more but in most it is less. The average for the submontane tract, for instance, is from 30 to 40 inches. But 60% of the Indus region has less than 10 inches and 16% less than 5 inches. In the region of the Coastal Tributaries and Desert Streams the annual average is hardly 10 inches anywhere. In the plains it is roundabout 5, even 2 in some parts. Thus, taking West Pakistan as a whole, rainfall is seriously inadequate. "Agriculture with areas under 15 to 20 inches of rainfall is practically entirely dependent on irrigation.... It is only areas with over 45-50 inches that are normally secure from dearth due to failure of rains."¹ But even such areas are not secure if the rainfall is not uniform. The meagre rainfall in West Pakistan occurs mostly during the three months of July to September when the monsoons are on. Actually the major portion of what is now West Pakistan was practically a desert not long ago. It is through artificial irrigation works in the form of canals, constructed during the last about eighty years, that much of what was desert has been turned into smiling fields. Even now the major portion of this wing, as we have already seen, is arid wasteland. The limiting factor is water.

5.4 Irrigation Methods in Pakistan

The usual methods of irrigation found in the Indo-Pak sub-continent have been classified as: (i) Canals, (ii) Wells, (iii) Tanks and (iv) Other Methods. In West Pakistan well-irrigation is found in the old northern districts mainly in Lahore and Rawalpindi divisions of

1. O.H.K. Spate, *India and Pakistan—A General Regional Geography*, Methuen (1957), p. 52.

old Punjab. Tanks are hardly of any importance. Canals are the main method.¹ In the old Baluchistan area (Quetta and Kalat divisions) a method known as *karez* is in use. In East Pakistan, as already noted, irrigation is not very important. Some irrigation is carried on through overflow of rivers into channels and a few canals are under way.

The average area commanded by a well is about 12 acres. A well may be a *Pukka* well when it is bricklined or masonry, or a *Kutch* one when it is a mere hole in the earth. Wells are quite expensive to construct. According to Spate, "well-irrigation is six or seven times as expensive as canal."² Wells are an economic proposition only if crops grown are like vegetables grown for urban markets, or sugarcane, or first-class cereals, provided the soil is also good. The advantage of well-irrigation is that wells can be constructed through individual enterprise by owners of small areas, while canals have to be undertaken for extensive regions by the State or some similar body, with financial resources available for long-term investment. Moreover, with wells, there is no danger of over-irrigation, hence of water-logging and salinity, the twin menaces born of canal irrigation, as we shall see.

To get water out of the wells, several types of lifts are used; the most common in West Pakistan is the Persian wheel. Oil-driven pumps and tube-wells (using oil or electricity) are also coming into greater use but only on larger holdings. There are practically no wells in East Pakistan.

"Other Methods" include temporary dams and channels, and direct lift from rivers, etc. But a method worth mentioning in particular is the *karez* which is of Persian origin and is widely used in the former Baluchistan. These are "tunnels constructed by connecting lines of shafts sunk in the great fans skirting the hills, sometimes tapping a spring but more often collecting the sub-soil water."³ The great advantage of this system is that the loss of water in evaporation (which is one of the disadvantages of canal irrigation) is avoided.

1. In 1961-62 area irrigated in West Pakistan by different sources was as under:

Total	27.46	million acres	
Canals	22.27	"	[Bureau of Statistics (West Pakistan),
Wells	2.03	"	<i>Statistical Handbook of West Pakistan</i> ,
Tube-wells	.59	"	1963, pp. 312-13].
Other sources	2.57	"	

2. Spate, *op. cit.*, p. 209.

3. *Ibid.*, p. 429.

Under favourable conditions, a *karez* remains productive for a long time.

Canals, being the most important method of irrigation in Pakistan, need to be considered in detail. Canals in Pakistan are, broadly, of two kinds: (a) Inundation Canals, and (b) Perennial Canals. Inundation canals are mere cuts running parallel to rivers in the flood plains. They fill with water when the river rises; otherwise they remain dry. They may thus fail at the very time when most needed. Perennial canals are fed by elaborate headworks commanding large areas. They give an even flow of water. They, however, have some disadvantages. One of them is that the headworks obstruct the flow of silt into the fields which gets trapped. In this way a valuable source of fertility is lost, which is particularly important in a country of inadequate manuring. Moreover, canals have created the twin problems of waterlogging and salinity to which we shall return later in this chapter.

5.5 Irrigation Development—Pre-Partition

In tracing the history of canal construction we shall confine ourselves only to Pakistan areas and leave out the rest of the sub-continent. The first efforts of British engineers under the East India Company were directed towards the improvement of old existing indigenous works. In the Punjab area the Upper Bari Doab Canal replaced the old Hasli Canal which had carried waters to Lahore (and Amritsar) in olden days. In the Punjab again and in Sind some old inundation works were improved, e.g. Begari Canal and Fuleli Canal.

The second stage was canal construction through private companies. Under this system no canal was constructed in Pakistan areas.

The third stage was the construction of productive irrigation works by Government through funds raised by loans. The Sirhind Canal in the Punjab and the Lower Swat Canal in the North-West Frontier Province region were constructed during this period which comprised the last two decades of the nineteenth century.

The fourth stage was the construction of Colonisation Canals in the former Punjab. In 1880, the greater portion of the Punjab consisted of arid waste with a rainfall which varied from 5 to 15 inches per annum. This desert area was sparsely populated by nomad tribes of camel and sheep graziers. In order to open up some of these waste tracts and at the same time to relieve the pressure on land in highly populated areas elsewhere, the Government took over these unclaimed lands as Crown waste and embarked on a scheme of

colonisation. The country was surveyed and divided into squares of land, subsequently standardised at 25 acres each. On this land were settled members of the various agricultural tribes from the old districts. Eighty per cent of the land was given to small peasant-proprietors in lots of from 1 to 2 squares each. Soon new and improved villages and populous towns like Lyallpur grew up and the desert was turned, within a few decades, into smiling fields of wheat, cotton and sugarcane.¹

The first colony canals were the Sohag taken out of the Sutlej below Ferozepur (India) and the Sidhnai Canal (Multan district). The former was later absorbed into the Sutlej Valley Canals. These were followed by the Lower Chenab Canal which created the Lyallpur colony. It is one of the largest and most successful and remunerative canals of the country and irrigates 2.5 million acres annually.

During the next and fifth stage some famine protective works were constructed mainly in what is now India. In Sind, however, two important works were undertaken under this scheme, i.e. the Jamrao and the Western Nara Canals taken from the left bank of the Indus at Rohri.

The appointment of the Indian Irrigation Commission (1901-03) was the next important step. This Commission was the result of the success of productive and protective works undertaken during second half of the nineteenth century. The Commission reported in 1903 and laid down a definite policy regarding "the selection, financing and maintenance of canal works." As a result, a large number of new works were undertaken between 1905 and the outbreak of the First Great War in 1914. The most important of these was the Triple Canal Project in the Punjab (1905-17). This led to the construction of the Upper Jhelum, Upper Chenab and Lower Bari Doab Canals. The Upper Jhelum Canal irrigates 350,000 acres in the Chej Doab (land between Chenab and Jhelum) and discharges into the Chenab above the Lower Chenab Canal (1887-92) headworks at Khanke. The Lower Chenab irrigates some 2.5 million acres. The upper waters of the Chenab were thus freed to be taken up by the Upper Chenab Canal. This canal, after supplying water to irrigate 650,000 acres in the Rachna Doab (land between Ravi and Chenab) passes its remaining water across the Ravi by a barrage 500 yards long. This

1. For details, see M. L. Darling, *The Punjab Peasant in Prosperity and Debt*.

feeds the Lower Bari Doab Canal in what is called the Ganji Bar (Montgomery and Multan districts). This system thus linked up the Jhelum, Upper Chenab and Ravi rivers. During this period, work on Lower Jhelum Canal (started in 1897) was also completed. Most of the other works constructed following the recommendations of the Irrigation Commission were famine protective works in present-day India. In Pakistan, however, the Upper Swat Canal was opened in 1914.

After the inauguration of the Reforms of 1919, irrigation became a (Reserved) Provincial subject. The Provincial Governments now possessed much larger initiative in the construction of canals. They had to obtain the sanction of the Government of India and of the Secretary of State only if the estimated cost was more than Rs. 20 lakhs. Loans could be taken not only for productive works but also for other works. Money could also be utilised from the Provincial Famine Insurance Grant when it was not required for famine relief.

Due to the post-War (1914-18) period of prosperity many new irrigation schemes were launched. Several important works were completed during the decades that followed. Two of them deserve special mention so far as Pakistan is concerned. (i) The Sutlej Valley Works in the Punjab, completed in 1932-33, were estimated to irrigate an area of 5 million acres, not all in Pakistan. Their total cost was Rs. 33.31 crores. (ii) The Sukkur Barrage and canals in Sind opened in 1932 were estimated to irrigate 5.5 million acres. The cost of these was Rs. 24 crores. Another project completed was the Haveli Canal to utilise the spare water in the Chenab river below its junction with Jhelum, and commands 1.5 million acres. The Thal Project was proposed but was postponed for financial reasons; it was resumed after Partition.

5 · 6 Irrigation Development after Partition (1947-55)

After Partition the policy of extending irrigation facilities in Pakistan was more vigorously pursued. Two types of projects, which have bearing on irrigation, were started: (a) multi-purpose projects which aimed at irrigation, land reclamation and generation of electrical energy through water-power; (b) purely irrigation projects in the form of barrages, canals and tube-wells.

In West Pakistan two multi-purpose projects were started: (i) The Warsak scheme was commenced in 1949 with a total estimated cost of Rs. 26.7 crores. This Scheme was expected to be completed in 1960 at the end of the period of the First Five-Year Plan, but

was completed in 1961. By March 1955 (beginning of the Plan period) only Rs. 3.1 crores had been spent on this scheme and thus no substantial progress had been made by that time owing to change in plans and delays in arriving at important decisions.¹ (ii) The Kurram Garhi Scheme was started in 1950 with an estimated total cost of Rs. 4.34 crores of which only Rs. 1.83 crores had been spent by March 1955. This scheme was expected to be completed in 1958. The delay was due to similar causes as under (i) above. None of these schemes, therefore, yielded any results during the period under consideration.

As regards purely irrigation projects, several of them were started during the period under consideration. Their total estimated cost came to Rs. 146.8 crores of which Rs. 62.72 crores had been spent by March 1955. Among these projects were Thal Irrigation Scheme (originally started in 1939 but suspended and revived after Partition), Ghulam Mohammad Barrage (originally called Kotri or Lower Sind Barrage, started in 1947), Bambanwala Link (1948), Balluki-Sulaimanki Link (1951), Taunsa Barrage Project (1953), Marala-Ravi Link (1953), the Rasul Tube-well Scheme (started as early as 1944 but continued), Abbasia Canal (started 1946 and revived). There were some miscellaneous and minor irrigation schemes as well. With the exception of a few to be mentioned presently, most of these schemes achieved no results in the way of irrigation extension and land reclamation during the period under review. Their results were to be available during the First Plan period and after. Actual results achieved by March 1955 were: irrigated area 770,000 acres and reclaimed area 185,000 acres. The extension of irrigation was due to Thal Irrigation Project (410,000 acres), Abbasia Canal Project (73,000 acres), miscellaneous irrigation schemes (153,000 acres) and minor irrigation schemes (134,000 acres), with the exception of one. Thus the results were produced either by short-term minor schemes or by schemes which had been started before Partition. This is quite natural because major projects, even normally, take a long time to mature. Added to this were some difficulties in the way of procuring equipment and delays in making decisions not necessarily unavoidable.

In addition, some short-term schemes were started between 1947 and 1953 in the Coastal Tributaries and Desert Stream Region of West Pakistan at a total cost of Rs. 72 lakhs. With the exception

1. First Plan, op. cit., p. 364.

of the Bolan Dam Project (cost Rs. 47 lakhs) which was started in 1953 and was still in progress by March 1955, the others had either been completed or abandoned during the period under consideration. Those completed resulted in increasing irrigated area by 8,200 acres. These schemes were designed ultimately to irrigate 60,000 acres.

In East Pakistan some small irrigation schemes were started in 1953 of a nominal cost of Rs. 6 lakhs. They were still in progress in March 1955. Important multi-purpose development projects, however, had been started, i.e. the Karnafuli Project (1952), Teesta Barrage Project (1953) and Ganges-Kobadak Scheme (1953). Their total estimated cost was Rs. 59·87 crores of which only Rs. 3·76 crores had been spent by March 1955, when all these schemes were still in progress and no results had yet been achieved.

Thus, taking Pakistan as a whole, the total cost of the multi-purpose projects and irrigation schemes completed or in hand during the period 1947-55 (before the start of the First Five-Year Plan) was Rs. 238 crores, of which Rs. 72·0 crores had been spent by March 1955. Of this total the estimated expenditure on projects of East Pakistan (almost entirely multi-purpose) was 59·93 crores (or 25% of total) of which Rs. 3·78 (or 5%) had been spent by March 1955. On the total estimated cost of multi-purpose project which was Rs. 91 crores, about Rs. 60 crores (or 66%) was the cost of projects situated in East Pakistan. Since scope for irrigation extension is very limited in East Pakistan, of the total to be spent on such projects (i.e. Rs. 147·6 crores) a negligible amount was meant for East Pakistan (i.e. Rs. 6 lakhs).

During the period under discussion, as a result of the irrigation and multi-purpose development projects, 778,200 acres of land were brought under irrigation in West Pakistan of which 770,000 acres were in the Indus Basin and 8,200 acres in the region of Coastal Tributaries and Desert Streams. In addition, 185,000 acres were reclaimed through general reclamation and miscellaneous irrigation schemes. There was no addition to the irrigated area in East Pakistan during this period; through small schemes connected with drainage (total cost Rs. 2·33 crores, expenditure up to March 1955 Rs. 1·73 crores) 423,000 acres of land were reclaimed in this wing. Thus the total additional area irrigated, drained and reclaimed in Pakistan during the period 1947-55 was 386,000 acres.¹

1. All these statistics have been taken from the First Five-Year Plan.

In view of the large expenditure incurred, this is not a spectacular result. But, as already noted, most of the expenditure incurred was on major projects with long gestation periods. Their results were expected partly to be available during the period 1955-60 and partly afterwards.

5.7 Progress of Irrigation and Reclamation during the First Plan Period

At the beginning of the First Five-Year Plan (1955) the total irrigated area in the country was 22.7 million acres, being 37% of the total cultivated area of 61 million acres. By 1960 the total irrigated area had reached 24 million acres, recording an increase of 1.3 million acres over the Plan period. In addition to this, areas improved through drainage, flood regulation and regulated supplies increased by 2.57 million acres during the same period. The actual achievements, however, fell considerably short of the Plan targets as the following Table¹ indicates.

Table No. 20
Irrigation Programme and Results
(Thousand acres)

Region	Programme		Results	
	New	Improved	New	Improved
East Pakistan ...	100	1,819	58	562
West Pakistan:				
Indus Basin and Frontier Regions ...	1,453	3,544	1,000	1,998
Coastal and Desert Stream Regions	118	48	24	10
Total ...	1,671	5,411	1,082	2,570

It will be seen that the shortfalls were much greater in the case of East Pakistan than West Pakistan and were particularly heavy in the targets for improvement.

Similarly, limited results were achieved in the reclamation of saline soils and drainage of waterlogged areas. As against the target of 350,000 acres to be reclaimed the actual achievement was only a partial reclamation of 170,000 acres (less than 50% of the target).

1. *Source:* The Second Five-Year Plan, op. cit., p. 197.

Further, the Plan aimed at lowering the water-table in 150,000 acres. Actually only a small area had its water-table lowered. Further, while the target of the Plan was to construct 1,500 tube-wells, actually only 1,000 were sunk. Even these were not put into operation due to lack of electric power.

On the whole, it may be said that during the First Plan period a substantial measure of success was achieved in the implementation of multi-purpose projects like Karnafuli Hydel Scheme, Ganges-Kobadak Scheme of East Pakistan, and Warsak Project, Kurram Garhi Scheme, Taunsa Barrage, etc., in West Pakistan. Several schemes, however, failed to be executed speedily, like Gudu and Kotri Barrage Projects of West Pakistan. Moreover, progress in flood abatement and waterlogging and salinity control was disappointing. In the words of the Second Plan, "Experience during this period underlines the prime importance of careful preparation of projects, of sound appraisal of real cost and benefits and of careful assignment of priorities and determination of the pattern of investment. Such comprehensive preparatory work was in many cases lacking in the past, because of absence of detailed surveys, investigations and statistical data."¹ The result was a wastage of scarce resources like finance, strategic materials and technical man-power. "In some instances costs were grossly under-estimated and returns over-estimated. In a number of cases, co-ordination between the various phases of the same project was indifferently effected."²

The First Plan had recommended that in each Province a semi-autonomous body should be established for water and power development under the general control of the Government, but with the initiative and flexibility of private enterprise. Accordingly, a Water and Power Development Authority was created for each wing, for West Pakistan in 1958 and for East Pakistan in 1959. The establishment of these institutions along with simplification of sanctioning and improvement of budgeting procedure and creation of a Project Division was expected to lead to a more effective implementation of the Second Plan in this connection.

5·8 Irrigation Programme of the Second Five-Year Plan (1960-65)

The irrigation and land reclamation programme of the Second Five-Year Plan included a number of major and minor schemes.

1. Second Plan, op. cit., p. 201.

2. Ibid.

Major schemes were to be completed for the irrigation and protection of large areas. A number of small drainage, flood regulation, tubewell and pumping schemes were also to benefit extensive tracts. It was estimated that as a result of these schemes 24 million acres of new land will be irrigated and another 7·1 million acres improved through lowering of water-table, salinity control and assured water supply. According to the unrevised allocations (revised allocations being not available) Rs. 79 crores were to be spent on multi-purpose development, Rs. 43·73 crores on irrigation, Rs. 22·88 crores on drainage, reclamation and tube-wells, Rs. 31·02 crores on flood regulation and only Rs. 11·0 crores on canals. This constituted 60% of the total public expenditure of Rs. 314 crores provided for water and power development in the original Plan. This was Rs. 100 crores less than the provision for the water and power sector in the Revised Plan. In East Pakistan the bulk of the expenditure under this head was to be incurred under multi-purpose development and flood regulation, while in West Pakistan it was irrigation and land reclamation which had to receive greater attention. There was a decrease in allocation to irrigation compared to the First Plan because the major schemes in the programme were already nearing completion.¹

Some provision was also made in the private sector for tube-wells and percolation wells and other small irrigation projects by landlords.

More than half of the provision for the single-purpose irrigation project was earmarked for irrigation schemes already in progress—the Kotri, Gudu, Taunsa, Thal and Warsak Projects. It was expected that with the completion of these schemes by 1965, 1·88 million acres would be added to the irrigated area mainly in West Pakistan, of which 1·44 million acres would be covered by schemes already under way and 740,000 acres by new schemes. It is likely that these targets will be achieved.

5·9 Floods, Their Causes and Control

The range between the maximum and minimum discharge of the rivers of Pakistan is very wide. Take the river Indus, for instance. Its peak discharge in summer at Kalabagh is 900,000 cusecs, while the minimum in winter is as low as 17,000 cusecs. Such behaviour creates the twin problems of scarcity of water and floods. We have already given attention to the former. A few words about the causes and possible remedies of floods will be in order here. Floods

1. Second Plan, op. cit., p. 204.

have become very frequent in recent years, particularly in West Pakistan where they were not so common previously. Effect of the long-term meteorological cycle may be the basic cause. But its effects are accentuated by the following factors:

(a) Progressive denudation of hilly catchments. During World War II, when timber could not be imported, forest areas were stripped of trees for procuring timber domestically. This process is still continuing because of the increasing pressure of population on land and the need for fuel. There have also been overgrazing by goats and other animals and removing of vegetation in the hill-sides. The result is that the rain-water, instead of being at least partially soaked into the soil, runs down with great force, thus causing soil-erosion on the one hand and excess flow into the river and streams on the other.

(b) The second result of this is that the silt content of the rivers increases and as they pass through the plains and their flow slows down, it gets deposited in the river-beds, which are thus raised. Rivers thus begin to flow on ridges higher than the adjoining fields which can be easily flooded with rise in the water-level at the time of heavy rains.

(c) This situation is further accentuated by artificial barriers in the form of canal headworks, railway embankments, roads and bridges, which obstruct the flow of the flood water and raise its level in the neighbouring areas. When some of such obstructions are washed away by the pressure of the accumulated flood water, the latter rushes down with tremendous force and causes further damage.

The losses caused by floods to the country in recent years have been enormous. In East Pakistan alone, it has been estimated that in three successive years, 1954 to 1956, the rice area, partially or wholly damaged, amounted to 8.3 million acres. The loss in agricultural production was 1.717 million tons valued at Rs. 46.8 crores. West Pakistan has also suffered enormous losses from time to time due to floods.

For East Pakistan a Flood Commission was established in December 1955 and a Flood Control Board in June 1956. A United Nations Water Control Mission studied the flood control and water resources development problems of this wing in 1956-57. A West Pakistan Flood Commission was created in 1957 to prepare an integrated basin-wide flood-control plan. So far no flood-control measures

have been adopted in either of the wings of the country due to lack of adequate basic data.

The Second Plan (original) provided a sum of Rs. 31.02 crores for flood regulation, of which Rs. 5.64 crores were to be spent on schemes already under way. About four-fifths of the total allocation were to be spent in East Pakistan.

In East Pakistan the work mainly consists in opening of congested channels. In West Pakistan permanent structures were to be built both to control floods and provide irrigation. The implementation of the Indus Basin Treaty¹ may also help in the solution of this problem, though it mainly consists of replacement works.

But these are long-term plans. In the meantime some measures must be taken to reduce, even to a limited extent, the damage caused by floods almost every year now. In the past a common method had been to raise embankments on river banks. These have not proved effective, because they are not backed by reservoir control. Even reservoirs have to be supplemented by large-scale conservation measures in the head waters. These consist of afforestation, improved agricultural practices and prohibition or control of grazing and timber extraction which expose the soil to erosion and encourage floods. Further, measures need to be taken at the lower reaches of the rivers to avoid accentuating the flood levels. These include channel improvements, river training and gradual removal of the various barriers which obstruct the free flow of water. Suitable openings may also be provided in the embankments to release the pressure of water. Further, a system of flood forecasting and warning must be evolved to reduce the flood damage as far as possible.

5.10 Waterlogging and Salinity

The lack of effective drainage in the Indus region of West Pakistan has resulted in the twin evils of waterlogging and salinity. These have led to deterioration of the soil and creation of unhealthy surroundings. In the canal areas of West Pakistan 12 million acres of land or about 50% of the irrigated area have already been affected by salinity and waterlogging and 3 million acres have gone out of cultivation in West Pakistan. To these about 100,000 acres are being

1. A treaty between India and Pakistan settling the long-standing water dispute and signed in 1960. It gives the right of waters of Sutlej, Beas and Ravi to India and of Chenab, Jhelum and Indus to Pakistan, and provides for financing of the consequent replacement works in Pakistan.

added annually. It has thus become a serious problem and is causing anxiety to the Government and the people. Large areas in Gujranwala, Sheikhupura, Lyallpur, Shahpur, Jhang, Multan and Muzaffargarh districts of the old Punjab province and part of what were Upper Sind and Khairpur State (now Hyderabad division and Khairpur division respectively) are already waterlogged, and this area is increasing annually.

Waterlogging and salinity in these areas have been due to the rise in the water-table. This in turn is due to lack of proper drainage and continuous over-irrigation.¹ The effects of the rise in water-table appear in two forms: (i) saturation of the soil, locally known as *sem*, and in worst affected areas, the appearance of the water on the surface, and formation of *jheels*; (ii) concentration of salt in the upper layers of the soil, thus making it impossible for the plant roots to survive. This is locally known as *thur*.

The remedies usually suggested for this phenomenon are pumping out of water by tube-wells and other methods of drainage, proofing of canal-beds by concrete, opening out of closed and obstructed drainage, replacing canal-irrigation by well-irrigation and prevention of over-irrigation by changing the system of supply, to force the cultivator to economise water. As regards pumping out of water by tube-wells, tube-well projects were designed for this purpose. The First Plan made provision of Rs. 6.9 crores to construct 2,200 tube-wells in the Rachna and Chaj Doabs to pump out the excess water from the sub-soil and throw it back into the canals. This scheme was almost complete so far as the construction of tube-wells was concerned; but due to lack of electric power the tub-wells could not be fully utilised for their originally designed purpose. The Second Plan (original) made a further provision of Rs. 4 crores for sinking tube-wells in other suitable areas. As to proofing of canal-beds by concrete, even if the enormous expense of this remedy could be met, it would not affect the channels. There are many difficulties in the way of introducing effective drainage. In some cases this may involve the re-making of the whole canal. As regards replacing canal-irrigation by well-irrigation, this would be very expensive, even where the sub-soil water is good enough and easy of access. The cost of solving

1. A more recent view is that the cause of salinity is not over-irrigation but rather inadequacy of water for irrigation which causes the salts to rise up rather than sink down. (See Report, Food and Agriculture Commission, 1960, p. 45.)

this problem effectively has been estimated at Rs. 2,500 crores.¹ Such a method, however, may be regarded worthwhile in certain localities, where the danger is most imminent.

Since waterlogging is caused by over-irrigation, one remedy is the prevention of over-irrigation by changing the system of supply and to force the cultivator to economise water. Under the present system of supply, it is estimated that over-irrigation occurs to the extent of 30 to 40% in the case of a crop like wheat alone. The charge for water is made not according to the water used, but according to crops watered. Moreover, the supply is uncertain and the cultivator naturally tries to irrigate as heavily as he can. A system of irrigation should be evolved which should, firstly, ensure a regular supply of water to the cultivator of a certain minimum needed by him, for which a flat charge should be made. For any additional water that he may need, he should be made to pay a charge which increases as his demand increases. This should be according to the volume of additional water used by him. This will result in his making all efforts to economise water, and to put it to the best use. This will have two wholesome results: firstly, a more efficient use of a scarce resource like water in West Pakistan and, secondly, prevention of waterlogging which results from over-irrigation. Other measures should also be taken to economise water, because, as has been pointed out by the First Plan, "at present only 50% of the water diverted at the canal headworks reaches the fields, the rest being lost in evaporation and percolation."² All methods aiming at economising water, therefore, will, apart from reducing the incidence of waterlogging, enable intensification of agriculture on the presently irrigated lands or expansion of cultivation in those commanded but not irrigated by existing canals. The First Plan recommended an extensive study of the problem in order to evolve methods to reduce the water losses to the minimum. Some time back a U.S. Scientific Mission headed by Dr. Weisner studied the problem and made recommendations to solve it. The Government policy is being guided by these recommendations. The problem is now the responsibility of the West Pakistan Water and Power Development Authority (WAPDA). More of this presently.

1. Second Plan, op. cit., p. 209.

2. Plan, op. cit., p. 364.

5.11 Anti-Erosion Measures

Soil-erosion implies washing away of the surface soil either through river floods or excessive rains in the hills. The rivers might bring cultivated land under its sweep or may throw a thick layer of sand over it, thus making it unfit for cultivation. Surface-erosion may also be caused by heavy rains in areas that have not been properly protected through the construction of embankments. Erosion may also take place through the action of the wind.

Soil-erosion in Pakistan is thus found in the deforested hill-sides in the arid plateau lands and the flooded parts of river valleys. In the barren parts of West Pakistan, in spite of scanty rainfall, the force of the torrents is great. Same is the case with the hilly tracts of East Pakistan, where rainfall is excessive. Wind-erosion is common on the wind side of the hills in Baluchistan areas.

According to one investigation made some years ago, in certain upland districts of West Pakistan (Rawalpindi, Campbellpur, Gujrat, Mianwali, Shahpur and Jhelum) with a total area of 14.7 million acres (half under cultivation), as much as 1.75 million acres were revealed as badly gullied by soil-erosion. Most of this area was classed as "forest," "cultivable waste," "unculturable"¹ in the records.

There are other areas in Dera Ismail Khan, Muzaffargarh and Dera Ghazi Khan, and various tracts in Quetta and Kalat divisions which require attention.²

According to the Second Plan, over 160 million acres in West Pakistan suffer in varying degrees from wind and water-erosion.³

Soil-erosion may occur due to several causes: (i) Due to cutting of trees or deforestation. In Attock and Jhelum districts, trees have been removed from the banks of the Swan stream and the land has become barren. (ii) Due to removal of vegetation which exposes land to wind and rain. This may be caused by increase of population, human or animal. (iii) Uncontrolled grazing, especially of goats. Grazing does not let the grass flourish and leads to denudation of the soil. (iv) Cultivation on hill slopes also has the same effect.

1. R. M. Gorrie (Conservator of Forests, Rawalpindi), Paper on Water Control, etc., read before U.N. Scientific Conference on Conservation and Utilisation of Resources.

2. Agricultural Enquiry Report, p. 12.

3. Plan, op. cit., p. 168.

The following remedies are usually suggested to meet this evil:

- (a) Replanting trees.
- (b) Building of embankments.
- (c) Reclamation of land.
- (d) Control of grazing.

The evil in the pre-Partition Punjab was so serious that the Government had to create an Anti-Erosion Department for the purpose of arresting this process. The Forest Department also helped in the reclamation of land. As far back as 1928, the Royal Commission on Agriculture¹ had suggested that protective measures against soil-erosion should be left to private co-operative effort. Sir John Russell² in 1937 was of the view that such measures should be a State responsibility. The latter view seems to be more in accordance with the conditions in this country.

Protection through planting of shrubs and wild trees by the Forest Department was suggested as far back as 1893 by Dr. Voelker in his famous Report. Trees, however, cannot be successfully planted unless grazing of cattle, sheep and goats is forbidden. A law exists under which areas can be closed against grazing either partially or wholly or seasonally. The Government has recently issued an Ordinance to ban the raising of goats in certain areas of West Pakistan.

Digging of contour trenches is useful. This consists in making of channels on the slopes at small distances. Thus the water flow is obstructed; the water gets absorbed in the earth. Seeds of grass and trees can be sown in these channels.

Embankments can be built by the cultivators themselves. Thus water can be prevented from flowing down. This conserved water can be used for irrigation.

The seriousness of the problem was realised quite early but serious steps were taken only in 1954 when a three-year pilot project was initiated covering the affected districts of Gujrat, Jhelum, Rawalpindi, Campbellpur and Mardan. In 1958 the scheme was further expanded to include fifteen areas in the upland districts for providing anti-erosion measures. By the end of the First Plan period, however, only eight new demonstration areas had been opened. The main difficulty which impeded the progress of work were small holdings, weak

1. Royal Commission on Agriculture, Report, p. 80.

2. J. Russell, Report on the Work of the Imperial Council of Agricultural Research (1937), p. 57.

financial position of the farmers and delays in getting the necessary machinery and trained personnel. The Second Plan provided for the completion of the projects already under way and starting of operations on eight demonstration areas, each area being 15,000 acres. "The work in these areas," in the words of the Plan, "will include soil, agronomic, range, forestry, engineering and other surveys and land capability classifications; preparation of sub-catchment working plans and field applications; construction of broadbased level terraces; diversions and bench terraces; water-spreading devices, and contour tillage; development of water disposal systems, ponds, waterways, and agronomic and cultural conservation practices."¹ A sum of Rs. 1·6 crores was provided for this purpose.

5 · 12 The Role of WAPDA—West Pakistan

The activities of the Government for the development of water resources are mainly directed towards (a) provision of better and additional irrigation facilities and (b) drainage and reclamation of salinised and waterlogged areas. The principal executing agencies for these programmes are the Water and Power Development Authority and (in the case of West Pakistan) the Irrigation Department.² The WAPDA is also concerned with power development as well as the execution of the works under the Indus Basin Treaty. The growing responsibility of WAPDA can be judged from the fact that its total budget rose by 70% in three years, i.e. from Rs. 45·69 crores in 1960-61 to Rs. 78·0 crores in 1963-64. This figure does not include the Indus Basin Settlement works which cost Rs. 84·1 crores in 1963-64 alone. Its activities in the water sector, however, fall under two major sections:

- (i) Work connected with the investigation and planning of water resources, construction of projects connected with the development of such resources and anti-salinity measures.

1. Second Plan, op. cit., p. 169.

2. The main irrigation projects under implementation by the Provincial Irrigation Department include the following: (i) Taunsa Project, (ii) Kurram Garhi Project, (iii) Warsak High Level Canals, (iv) Bolan Dam Project, (v) Thal Project, (vi) Mianwali (Riverain Area) Tube-well Irrigation Project, (vii) Ghulam Mohammad Barrage Project, (viii) Pandoke Drainage System, (ix) Sukhrawa Drainage System, (x) Makhi Dhand Drainage System, (xi) Thal Drainage Scheme (Khushab Area). For details, see Government of West Pakistan: White Paper (Budget) 1964-65, pp. 129-38.

(ii) Work connected with the Indus Basin Settlement Plan.

As regards investigation and planning the WAPDA has chalked out a Master Plan for West Pakistan's water resources development. Since 1959 a large-scale programme of investigation, regional studies and project planning in the irrigated areas of the Indus plain is under implementation. The object is to develop additional water resources, to generate power to meet the growing demand of the area and to control waterlogging and salinity through drainage and leaching of salts from the soil. The preliminary phase has been completed and a blueprint has been made of the development of Water and Power Sector up to the year 1975. Investigations have also been made of the Kabul/Swat/Chitral basin and an investigation has been initiated for the Kurrum River Basin. A feasibility report on the Warsak re-regulating facilities has been published. Similar feasibility reports have been prepared for Bera Banda Lift Irrigation Scheme and Sukhera Tube-well Scheme of Peshawar district.

In the Water Sector the main schemes in hand include the Gudu Barrage, Rawal Dam, Tanda Dam, Khanpur Dam and Karachi Irrigation Project.

In the Reclamation Sector there is a Master Plan for reclamation prepared in consultation with President Kennedy's Scientific Mission of 1961-62. The Mission recommended that reclamation of land from salinity and waterlogging in West Pakistan should proceed at a rate of about one million acres per year, thus spreading the programme over a period of twenty to twenty-five years, against ten years suggested by the original WAPDA Plan. The final Report of the Mission is under study. In the meantime WAPDA is engaged in pursuing its crusade against the twin menaces of waterlogging and salinity.

5.13 The Indus Basin Project

This project is to be constructed as a result of the Indus Waters Treaty of 1960, signed between India and Pakistan. It comprises of two comprehensive Dams—Mangla on the river Jhelum and Tarbela on the river Indus—eight inter-river link canals, four barrages and one gated syphon. Further, there will be remodelling of three existing inter-river canals, two existing head-works and some existing irrigation canal systems served by the new construction, and a set of tube-wells and drainage works.

The project is under implementation and work is proceeding satisfactorily. As regards the Mangla Dam (one of the world's biggest

earth-fill dams) work has been proceeding according to schedule and it is likely to be completed by July 1968. As to the Tarbela Dam, the Government is carrying on negotiations with the World Bank for financing the project. Preliminary field work is already in progress.

The overall position of the various works under execution by March 1964 was as under:

Table No. 21

Works	Percentage of Completion
Mangla Dam	40
Trimmu-Sidhnai Link	75
Sidhnai-Mailsi Link	65
Mailsi-Bahawal Link	50
Sidhnai Barrage	60
Mailsi Syphon	80

It is expected that Trimmu-Sidhani Link and Mailsi Syphon will be completed ahead of the scheduled date.

The latest net revised estimates of the cost of Indus Basin Project comes to Rs. 904.74 crores and Pakistan will get additional \$310 million (Rs. 147.6 crores) to meet the cost of this project and other water projects in West Pakistan which may also include the Tarbela Dam.

5.14 The Role of WAPDA—East Pakistan

The major objectives of water development in East Pakistan are irrigation, drainage, flood regulation, reclamation, navigation and generation of hydro-power. Flood-control measures usually comprise catchment conservancy, creation of storage and detention reservoirs, diversion of flood water and channel improvements. The difficulty is that upper catchments of all rivers of East Pakistan lie outside of its borders. There are no suitable reservoir sites except in the Chittagong Hill Tracts. The flood regulation programme of the province provides for the diversion of flood flows, river training, channel improvement and construction of embankments. The East Pakistan WAPDA aims at utilising water for developing the land to the fullest possible extent. This is to be done by supplying irrigation water throughout the year, making low lands fit for cultivation by adequate drainage and protecting crop lands from floods. A large number of projects are under implementation to achieve these aims. The major ones are: Ganges-Kobadak Project—Kushtia Unit; Coastal Embankment Project, Improvement of Dredger Fleet, Ground Water Development and Pump Irrigation Projects, Brahmaputra Flood Embankment

Project; Old Brahmaputra Project, Manu River Project and Ganges Barrage Survey.¹

5.15 Prospects of Increasing Cultivated Area

What are the prospects of bringing more land under the plough? Obviously, whatever these projects are, they are mainly in West Pakistan where culturable waste is available in large quantities. But all this waste cannot be brought under cultivation due to lack of water, if for no other reason. Cropped area, however, can be increased by multiple cropping in East Pakistan.

In spite of great efforts during the last ten years of planned development only about 3 million acres have been added to the cultivated area mostly in West Pakistan as against the estimate of 5 million acres by the planners. More recent estimates of the likely addition of area under crops during the Second and Third Plan periods is given below:

Table No. 22

Estimated Area under Cultivation and Likely Additions during the Second and Third Plans²

(Million acres)

	East Pakistan	West Pakistan	Total
1. Cropped area in 1959-60	25.7	34.2	59.9
2. Addition to the cropped area by the end of the Second Plan	0.5	1.1	1.6
3. Addition to the cropped area during the Third Plan	1.7	1.4	3.1
	2.2	2.5	5.0
4. Total cropped area expected by the end of Third Plan.	27.9	36.7	64.6
5. Percent increase in 1969-70 over 1959-60	8.3%	8.0%	8.0%
6. Existing area estimated to be improved during the Second Plan	4.0	3.0	7.0
7. Existing area likely to be improved during the Third Plan	4.0	7.3	11.0
	8.0	10.3	18.0

1. For details, see Ministry of Finance, Government of Pakistan, Economic Survey, 1963-64 pp. 58-60.

2. Government of Pakistan: Outline of the Third Five-Year Plan (1965-70), p. 99.

Even if the targets of the Third Plan as visualised tentatively materialise, the total increase in the cropped area will be less than 5% and cultivated area still less since cropped area takes account of more than one crop from the same land. This will be supplemented by improvement in the existing areas under cultivation through embankment construction, drainage and measures against waterlogging, salinity and soil-erosion. Much of this is still targets which may or may not be realised.

Even if we assume that these targets will be realised, the possibilities of further extension of cultivation will be reduced as our water resources get fully utilised and areas which can be reclaimed are reclaimed. On the other hand, population will not only increase at the currently high rate of about 2.5% per annum but may achieve a higher rate of increase as death-rate which is still quite high goes down with the application of preventive and curative measures against disease.

If during a period of ten years cropped area increases by 8% and population at an average rate of 2.5% per annum) increases by 25%, the cropped area per head of population will go down.

*Table No. 23***Cropped Area Per Head of Population**

	East Pakistan		West Pakistan		All Pakistan	
	1959-60	1969-70	1959-60	1969-70	1959-60	1969-70
Cropped area (million acres)	25.7	27.8	34.2	36.9	59.9	64.7
Population (millions)	50.8	63.5	42.9	53.5	93.8	117.2
Cropped area per head of popula- tion (acres)	0.50	0.43	0.79	0.68	0.63	0.55

Thus under the above assumptions cropped area per head of population will decrease from .5 acres to .43 acres in East Pakistan and from .79 acres to .68 acres in West Pakistan by 1969-70.

What about the long-period point of view? Could large areas of culturable waste be brought under the plough in West Pakistan through a more effective harnessing of our water resources? In 1955, the Planning Board (now replaced by the National Planning Commission) expressed the view that, with the completion of the barrages on the Indus river system, then under construction, its dependable surface flow will be diverted on to the lands to the maximum possible extent. The danger of scarcity of water in the crucial periods will still remain. "Future development of reclamation and irrigation on a large scale," in the words of the First Five-Year Plan, "will depend on the storage of high river flows during the monsoons, which now run into waste."¹ According to the Board's estimates, complete regulation of the mean annual flow of the Indus river system will require more than 100,000,000 acre-feet of reservoir capacity. Presently known sites offer capacity of about 25,000,000 acre-feet. Thus even if we could meet the tremendous financial liability involved, we could only achieve limited results from these ventures. To bring all the culturable land in West Pakistan under the plough will require 460 million acre-feet of water per annum which is far in excess of the gross water supply of the Indus river system. The Board presumably did not allow for the fact that the waters of the three eastern rivers will not be available to Pakistan after 1970, under the Indus Waters Treaty. The matter, however, is worth further investigation because regulation and control of water of this system even on a limited scale could greatly reduce the enormous damage caused to life and property by frequent floods as they have occurred in recent years.

16 Concluding Remarks

In conclusion we may say that the scope for the extension of area under cultivation is extremely limited in East Pakistan, while there is still culturable land lying waste in West Pakistan which waits colonisation. But even here we should not expect very extensive areas to be added to the land under the plough. After the present irrigation projects have been completed, there is practically no possibility of extending the area under irrigation through tapping the existing normal flow of the rivers of the Indus Basin. Scope, however, does exist for utilisation of the flood waters which are not only wasted at present but also cause tremendous damage to crops,

1. First Plan, op. cit., p. 360.

houses, livestock and even to human life. But to control them is a big engineering feat which can only be conceived of in terms of long-term planning. Even then the water that could be harnessed in this manner, assuming that the necessary finance and technical skill is coming forth, would not be adequate to bring under cultivation all the available culturable wastes in West Pakistan. In fact, perhaps it would be uneconomic to attempt that unless the price-cost relationship justifies it. Water being the most scarce factor, it must be used to its optimum advantage. It has to be seen whether an acre-foot of water would add more to agricultural production, when used for irrigating more adequately the area already under cultivation, or when used to open up new virgin lands. At any rate, all attempts must be made to reduce to its very minimum the water now going waste. Much water is wasted through over-irrigation, evaporation and percolation during its course from the canal head to the fields, and due to the wrong crop rotation, uneconomic units of farming, fragmentation of holdings, and lack of personal incentives for economy on the part of the cultivator. Moreover, before new areas are opened up, it would be worthwhile to stop further deterioration of the soil, through these processes as well as wind and water-erosion. Even assuming that all this has been done, the problem of agricultural production will not be solved unless every acre of land under the plough is made to yield more than it is doing at present. On the basis of expert opinion, it is held that to maintain in reasonable comfort one person depending on agriculture of the primitive type currently practised in Pakistan and other South Asian countries, it is necessary to have cultivated area of one acre at least. At present it is only in certain divisions of West Pakistan (e.g. Hyderabad and Bahawalpur) that we have this land-man ratio. For West Pakistan as a whole, the average cropped area per head of population is .8 acre and for East Pakistan .5 acre. The population of Pakistan is increasing at an average rate of about 2.5% per annum which means that over 2 million souls are added to the population per year. If the population dependent on agriculture is taken to be 80% of the total and we allow one acre per person for subsistence, cultivated area must increase at the rate of 1,600,000 acres per annum. The additional area brought under cultivation through the extension of irrigation facilities during the five years of the First Plan period was 1.08 million acres and during the Second Plan 1.66 million acres. This is not enough to ensure subsistence to the additional population depending on agriculture brought into being at the

rate of present growth of population over a period of ten years. This means that an increase in the area under cultivation, even if the present rate could be kept up, could not keep pace with increased needs for subsistence brought about by our current rate of population growth. Even if we allow for the fact that some of the projects installed during the first two Plan periods would produce their maximum results during the subsequent Plan period and even if we allow for the additions to cultivation on account of land reclamation, the limits for the further expansion of the cultivated area will be reached not in the very distant future. In view of these facts, we must change our emphasis from extensive cultivation to intensive cultivation. In other words, the real solution of the problem of increasing agricultural production should be sought mainly in the direction of increasing the yield per unit of area through the use of better techniques of cultivation under conditions of adequate incentive for the cultivator. To this problem now we turn.

CHAPTER 6

Increasing Agricultural Yields

6 · 1 Scope for Intensive Cultivation in Pakistan

In the previous chapter we examined the scope for extensive cultivation in Pakistan and underlined the limitations of this method of increasing agricultural production. In the present chapter we shall be concerned with the possibilities of intensive cultivation in this country. The possibilities may be measured roughly by comparing the average yield per acre currently obtained in Pakistan in respect of its major crops with those achieved in some other countries of the world. The yields per acre in our country are amongst the lowest in the world as is indicated by the Table¹ given below:

Table No. 24

Yield in Maunds Per Acre

Crops	Pakistan	Japan	Italy	U.S.S.R.	U.S.A.	China
Rice	11·40	33·40	50·20	17·40	22·20	23·00
Sugarcane	560·00	597·70	...	...	527·70	...
Wheat	8·00	16·00	13·20	17·60	...	6·19
Cotton (Lint)	1·75	2·40	2·07	...	3·20	2·50
Barley	8·20	...	...	19·40	10·00	10·60
Maize	7·50	17·00	17·70	26·60	13·50	...

1. Table quoted from Dr. K. A. Rahman, then Director of Agriculture, Punjab, "Economic Reconstruction of Pakistan with Special Reference to Agriculture," *Pakistan Economic Journal*, Volume I, No. 1, p. 9.

It will be seen that Japan gets three times rice from an acre of land, Italy four times, U.S.A. and China more than twice as compared to Pakistan. As to wheat, Japan and U.S.S.R. get about twice and Italy about 50% more than Pakistan. Similarly, in the case of other crops, the production per acre is much higher in other countries than in Pakistan. The case of Japan is particularly instructive. Conditions in that country in many respects are similar to those prevailing in Pakistan. It is a country of small cultivators who use very little modern mechanical methods. The problem of irrigation, however, is not so difficult there as it is in Pakistan, especially West Pakistan. In this respect Japan's conditions are more analogous to East Pakistan. Japan, however, demonstrates what can be achieved by a peasant on a small area of land. Per head cultivated area in Japan is only about one-third of an acre as compared to about one acre in West Pakistan and half an acre in East Pakistan. Even China produces more per acre. Italy is another example where conditions are not much different from Pakistan. In spite of high yields, however, there is rural poverty in these countries. The yield per acre is relatively high, but the yield per man is low, because of the high pressure of population on the soil, which manifests itself in small cultivated areas per agricultural worker. The standard of living of a people depending on agriculture is determined not so much by production per acre as output per man. In countries like U.S.A., Canada and Australia, productivity per acre may not be as high as in Japan, Egypt and China, but since land per cultivator is large the standard of living of the rural people is much higher. The ultimate goal, therefore, should be higher productivity per man. This would imply lowering the pressure of population on the soil; in other words, a well-balanced economic development. This in our country means greater stress on the development of industries. So long, however, as the population depending on land remains what it is, intensive methods of cultivation should be employed as much as possible to get the most out of the land under cultivation. What needs to be stressed, however, is that mere intensive farming is no sure way out of poverty. Intensive farming can co-exist with poverty of the rural masses as in Japan, Egypt and China. In fact, intensive cultivation is mostly carried on only where cultivated area per head is small and the peasant has to eke out his subsistence from it. To eradicate poverty, on the one hand, more efficient methods of cultivation must be employed, and, on the other, alternative employment must be

created to absorb the surplus labour set free by the use of these efficient methods.

6 · 2 Methods of Increasing Yield Per Acre

To find out the methods of improving yield per acre, we have to look into the causes which are responsible for low yields in Pakistan. Among these may be mentioned inadequate water, inefficient cultivation due to primitive implements, poor quality seed, inadequate manuring, destruction caused by plant diseases and pests, lack of skills or incentives in the worker himself, etc.

We have already referred to irrigation. Inadequate or irregular water supply can cause the yield to go down. About 75% of the cultivated area in West Pakistan and 98% in East Pakistan depends upon rainfall which may not be seasonable. The fall in production of wheat in 1951 and 1952 in West Pakistan was partly due to the failure of rains at the time of the sowing of the crop. Where canal irrigation is available, the water may not come regularly either on account of the defective system of distribution or because of interference in the flow of canals as happened during 1951, 1952, and 1953, in the case of canals flowing into West Pakistan having their headworks in India. Thus yield per acre can be increased by ensuring regular and adequate water supply. High yield in Egypt, Japan and some European countries is due to this factor alone more than to any other. We have already noted what is being done to improve irrigation facilities in Pakistan.

6 · 3 Improved Implements

The implements used currently by the peasants are not very efficient, and hence the agricultural output per man and per bullock is low. Considerable research has been done by Provincial Agriculture Departments to evolve better implements, which should be more efficient and at the same time not very expensive. The chaff-cutter has been most widely used. The furrow-turning plough, seed drills, inter-culture implements and cane-crushing machines are also in use though not very widely. More efficient Persian wheels have been evolved (e.g. Brownli model at Lyallpur), but the cost is high. Centrifugal machines for sugar manufacture have also been introduced here and there. These are hand-driven machines and they can produce sugar at a lower cost than that produced by a large-scale factory, but the quality of such sugar is inferior. Our Development Plans have been making provisions for making further research into the possibility

of evolving improved equipment usable by the small farmer.

Sometimes the question is raised as to the desirability of mechanisation of our agriculture. Mechanisation does not necessarily mean the use of huge machines like the large tractor and other similar equipment so commonly used in countries like U.S.A. You can have cheap mechanical devices which can be used by our individual cultivator on his small farm. Popularisation of the various kinds of improved implements mentioned above, like water-lifters, sugarcane-crushers, threshers, Persian wheel, etc., even when driven by animal or human power, can be called mechanisation. Even the use of tractors driven by human power may be a practical proposition on a small holding. Some hand-driven tractors are in use, for example, in France. When mechanisation is objected to in a country like Pakistan, the idea is not to encourage the use of large expensive tractors and equipment, except under very special circumstances. The reasons which prevent an expansion of tractor cultivation on a large scale in Pakistan may be summarised as under. Firstly, most of these devices are labour-saving. In Pakistan we have already excess labour power as reflected in the considerable under-employment and unemployment existing in the country. We should avoid techniques of production which will further accentuate such a situation. Secondly, for the use of tractors and heavy equipment the unit of cultivation has to be large to make it an economic proposition. The vast majority of cultivators in our country till small and fragmented holdings. Thirdly, foreign exchange is extremely scarce, and the use of heavy agricultural machinery involves expenditure of this scarce resource, for which there are so many other competing uses, which could add more to national income. Fourthly, unless there are efficient and quick maintenance facilities in the form of repairing services and replacement of parts, breakdown of machinery can cause inordinate delays in operations. Such maintenance facilities are not available in Pakistan and their provision cannot be justified unless mechanisation of this type is adopted on a large scale.

This does not mean, however, that the use of tractors and heavy equipment should be ruled out altogether. They could be used for specific purposes and could be economically justified, for instance, for reclamation of culturable wasteland and derelict areas, for rapid development of land in new irrigation project areas, for anti-erosion and flood-control work, and for dry farming and moisture conservation

work, etc. Machine power can enable the cultivator to till the land immediately after the main crop is harvested and thus he can have another crop from the residual moisture in some areas, if no supplementary irrigation facilities were available. Moreover, a major part of the present rice land in West Pakistan can be brought under another crop by tractor cultivation immediately after the harvest of rice.¹ Tractors and power pumps are already in use in both the wings of the country for such purposes, e.g. Sukkur Barrage Kabulie areas and some areas in Quetta and Kalat divisions. The programme of mechanisation in the Second Plan covers the use of tractors and bulldozers and their accompanying equipment, the manufacture and distribution of more efficient agricultural implements and the development of power-pump irrigation. This will be carried into the Third Plan.

6·4 Better Seed

Another important method of increasing the yield per acre and improving the quality of the product is to popularise the use of improved varieties of seed. The seed sown by the farmer should be of good quality; it should be sound, free from disease, pests, damaged seed and extraneous matter. New varieties must be evolved and popularised. In this respect the Agriculture Departments have achieved good results. Improved varieties of wheat and cotton are said to produce from 10 to 25% more per acre.² The Coimbatore crosses of sugarcane produce more than double per acre compared to the indigenous strains.³

With all the efforts on the part of the Provincial departments only a small proportion of the total area was sown with improved seed in pre-Partition India. The percentage, however, varied according to crops. The highest was sugarcane where it was 76%, followed by jute 62·5%, cotton 35·5%, wheat 24·9% and rice only 5%. The overall percentage of British India was 10 and for all India 8·1.

The percentage of area under improved seed in Pakistan is much higher than it is in the territories now in India. In East Pakistan the percentage of area under better varieties of rice is small but that under jute is very high as noted above. In the Punjáb area of West Pakistan, 40% of the rice crop and from 87 to 100% of sugarcane, cotton and wheat crops are now grown from improved varieties. Information regarding other areas is not available.

1. Third Plan, op. cit., p. 64.

2. First Plan, op. cit., p. 225.

3. K A. Rahman, op. cit., p. 11.

Here, however, a note of caution is necessary because much of this improved seed is not of pure quality. "As the Provincial Governments supply a very small fraction of improved seed every year, purity cannot be maintained in the field. The seed produced at the Government farms under scientific management can only be said to be pure and that source is only 5 to 10% of the total seed distributed. The seed procured from private sources for sale is seldom comparable with the former."¹ Better arrangements for seed distribution are thus indicated. The First Five-Year Plan made detailed recommendations for breeding, multiplication, and distribution of improved seeds.² It was expected that 6% of the area under major crops in East Pakistan and 17% in West Pakistan would be replaced with improved seed by the end of the Plan period. Actually only 1% in East Pakistan and 7% in West Pakistan was achieved. The reasons for these shortfalls were inability of Provincial Governments to procure land for setting up a sufficient number of multiplication farms. The Second Plan fixed new targets for achievement for which Rs. 11.4 crores were provided. The programme was to be accomplished in three steps: (i) multiplication of the foundation seed on Government farms; (ii) multiplication of seed on the farms of registered growers and (iii) distribution of seed to farmers generally. As a result, area under improved seed was to increase by 50% in the case of most of the major crops going up to 100% in the case of cotton.³ The Plan recommended a system of seed certification to ensure that only good quality seed is produced and used.

6.5 Adequate Manuring

After good seed and adequate irrigation, proper supply of manure is very necessary for increasing yield. With the use of manures and fertilisers yield can be increased up to 50%.⁴ In some cases yield has been increased up to 80% to 100% in East Pakistan with the use of chemical fertilisers.⁵ The general complaint is well known that the cultivator in Pakistan burns as fuel cow-dung which is the best source of farm-yard manure. This cannot be helped so long as fuel supply in the country is inadequate. Even then much of the farm-yard manure that goes waste through ignorance can be made available for the

1. K.A. Rahman, *op. cit.*, p. 10.

2. For details, see First Five-Year Plan, *op. cit.*, pp. 222-27.

3. Second Plan, *op. cit.*, p. 140.

4. First Plan, *op. cit.*, p. 227.

5. Food and Agriculture Commission Report, p. 75.

soil. The urine of cattle, for instance, is allowed to go waste without any attempt at its collection. Much of the cow-dung can be saved from being burnt if proper use as fuel were made of dry stubble and other sweepings. Moreover, planting of trees on canal banks, roads, village common, and on boundaries of fields can considerably increase the supply of fuel. Mr. Brayne, of the Rural Uplift fame, did considerable work in the Punjab in connection with the popularisation of the methods of manure preservation through digging of pits. His work, however, was soon forgotten by the people. Persistent propaganda for this purpose is necessary. The co-operative agency can again help here and so can the village school.

Long ago in 1928 the Royal Commission on Agriculture in India recommended several other methods of increasing the supply of manure. Among these are composts, night-soil, growing of leguminous crops, use of oilcakes and fish, rice-husk ash, etc., as fertilisers. Moreover, chemical manures can be produced and made available to the peasants at reasonable rates.

Compost is obtained by causing decomposition of all sorts of waste materials, sweepings, leaves and other vegetable matter. In China, vast quantities of compost were being manufactured from the waste of cattle, horses, pigs and poultry combined with herbage, straw and other similar waste.¹ Experiments in preparing compost were made in certain provinces of pre-Partition India including Bengal, by Agriculture Departments. Such experiments should be pursued by the Pakistan Provincial Departments and practical methods devised to make results available to the cultivator.

There is still a great prejudice against the use of night-soil as manure in Pakistan. This can be broken if the night-soil is converted into "poudrette." The method of converting night-soil into poudrette—in which form it is much less obnoxious to use—proved quite successful at Nasik in India. This should be tried in Pakistan. Co-operation between the Agriculture Departments and municipal authorities can produce profitable results. The sewerage process of making the night-soil into less obnoxious manure is recommended for towns where there is a regular sewerage system.

The agriculturist in Pakistan knows the value of leguminous crops which improve the soil, e.g. gram. The Agriculture Departments

1. Royal Commission on Agriculture Report, p. 58.

should discover new varieties of such crops and popularise them. As regards green manure, experiments have discovered that *sunh* hemp on the whole gives the best results. But the trouble is that when it grows, it exhausts so much of the moisture in the soil that enough is not left to decompose it when it is ploughed in.

As regards the chemical manures, their use in Pakistan so far has been negligible. In areas, until recently the Punjab, for instance, consumption of artificial fertilisers (sulphate of ammonia and super-sulphate) was found to be only 0.32 lb. per acre. Compare this with 350 lbs. in Japan, 135.4 lbs. in U.K. and 232.8 lbs. per acre in Belgium. Their price is beyond the pocket of the average cultivator. The Government of Pakistan have established an ammonium sulphate plant in West Pakistan (Daudkhel). It has a capacity of about 50,000 tons of ammonium sulphate a year for supplying fertilisers for agriculture. Experts were invited from U.K., U.S.A. and Belgium to advise in this matter and their suggestions were implemented. Other factories produce urea at Fenchuganj (East Pakistan) and Multan.

The quantity of fertilisers used up to 1951-52 was about 10 to 12 thousand tons of ammonium sulphate mostly on the tea estates of East Pakistan. West Pakistan used only 2 to 3 thousand tons. More recently, the Government have been supplying large quantities of imported fertilisers at concession rates. In 1954-55, 80 thousand tons were used as against only 5 thousand tons two years earlier. The First Plan provided Rs. 20.03 crores for giving subsidy for manures and fertilisers during the Plan period.

The First Plan had a target of 360,000 tons of ammonium sulphate to be used annually. The actual achievement was 160,000 tons during the last year of the Plan as compared to 43,000 tons during the first year. The target of consumption of artificial fertiliser (including urea, ammonium nitrate, ammonium sulphate, super-phosphate muriate of potash) for the year 1964-65 was fixed at 257,000 tons for East Pakistan and 287,000 tons for West Pakistan. "Translated into plant food terms, these figures imply an increase of consumption of nitrogen from 32 thousand tons in 1959-60 to 112 thousand tons in 1964-65; of phosphoric acid from one thousand tons to 76 thousand tons and potash from nil to 8 thousand tons."¹ Actually, now over 150,000 tons of chemical fertiliser is being produced in Pakistan.

1. Second Plan, op. cit., p. 137.

Increasing Agricultural Yields

This quantity should be doubled to meet the requirements of the first phase of the programme and consumption will have to increase correspondingly. The tentative estimate for the Third Plan is 472,000 tons by 1969-70. This will include chemical fertilisers in the form of nitrogen, phosphorus and potash. Experiments have shown that the best results are achieved by using appropriate quantities of phosphorus in conjunction with nitrogen.

To ensure the success of the programme, the sale of the fertilisers shall have to be substantially subsidised, fertilisers and manures shall have to be made accessible to the farmers, commercial organisations shall have to be encouraged to take up their distribution and tests will have to be carried out to determine the general suitability of various fertilisers to local soils.

To meet the cost of subsidising the distribution of fertilisers and manures the Second Plan has provided a sum of Rs. 31·8 crores.

There is, however, a definite limit to the use of fertilisers in both the wings. In West Pakistan, it is set by the lack of water; in East Pakistan, it is the excess of water which is the limiting factor. There is need for improving storage facilities as well.

Above all what is needed is a supply organisation which should be able to make available fertilisers to the large number of scattered farmers. The same is true as regards seed. More if this later.

6 · 6 Plant Protection

Yield can be increased also by avoiding the enormous loss caused to plants through the ravages of pests and diseases in this country.

The damage done to crops in the Punjab (Pakistan) alone was estimated at over Rs. 8·5 crores, on the basis of the crops of the year 1945-46¹ Thus:

<i>Table No. 25</i>		
Crops	Per cent damage done by insects	Value of loss in Rs. lakhs
Cotton, American...	15% }	470·39
Cotton, Desi ...	10% }	
Sugarcane ...	5%	68·84
Foodgrains ...	0·5 to 10%	140·41
Fodder Crops ...	2%	151·10
Oilseeds ...	1%	5·00
Vegetables & Chillies	0·01 to 10%	8·40
Fruits ...	2·5 to 10%	10·17
Total ...		854·31

1, Table quoted from K.A. Rahman, op. cit., p. 12;

If to this is added the damage done to foodgrains in storage, the loss per annum comes to Rs. 11·56 crores. The First plan estimated that from 5 to 15% of the produce was then lost through pests and diseases in Pakistan.¹ The percentage in the case of fruits is much larger.

During the First Plan period much expansion took place in plant-protection operations and valuable experience was gained in methods and organisation. During 1959-60, about 1·3 million acres benefited through ground and aerial operations compared to 200,000 acres in 1954-55. At the same time enough seed of major crops was treated with preventive chemicals to sow 3·0 million acres, compared to 300,000 acres in 1954-55. The Second Plan target was to cover 6 million acres by ground and aerial operations—about 15% of the area under major crops. Now it appears, however, that actually only 4·4 million acres will be covered (2·5 million in East Pakistan and 1·9 million in West Pakistan), i.e. 9% instead of the target of 15%. The target for 1969-70 is being visualised at 12 million acres. Apart from this enough seed will be chemically treated against seed-borne and soil-borne diseases to sow about 14 million acres.² The Planning Commission estimated that during the Second Plan, plant protection will contribute 20% of increased production in foodgrains, 39% in cotton, 18% in jute, 48% in tea, 12% in sugarcane, and 13% in fruit and vegetables.

At present all chemicals used for plant protection are imported. Two formulation plants were, however, expected to go into operation, one in each Province, during the Second Plan. The Second Plan underlines the necessity to provide facilities to private enterprise to establish formulation plants for the manufacture of pesticides and insecticides. Measures are also recommended for giving import licences to experienced companies to encourage private distribution and utilisation, to prescribe quality, to promote standardisation, etc., of pesticides and to take effective preventive measures against the importation of new pests and diseases. To reduce cost to Government it is recommended that a part of the expenses on pesticides should be realised from the farmers.

1. First Plan, op. cit., p. 229. Also Food and Agriculture Commission Report, p. 78.

2. Second Plan, op. cit., p. 137.

6·7 Other Improved Practices

Production can also be increased by adopting other scientific methods of cultivation. Among these are sowing in line, good preparation of seed-bed, weeding, judicious application of water, better rotations of crops. These practices should be popularised by the extension services of the Government through demonstration and propaganda.

6·8 Economic Incentives

To make the cultivator adopt these improved measures and practices adequate incentives would be necessary. One is to ensure to him a minimum price for his major products. Another is to subsidise his inputs such as fertilisers. As regards the former, the Government policy in recent years has been to relax controls and to encourage free-market mechanism. Still maximum and minimum prices can be maintained as has been done, for instance, in the case of wheat in West Pakistan, to protect the interests of the consumers and producers respectively. The policy of subsidising fertilisers has also been followed by the Government to encourage their use.

6·9 The Man behind the Plough

Finally, we come to the agriculturist himself—the man behind the plough. What is his personal equipment—physical, mental and moral—to contribute to productivity? Seemingly contradictory views have been expressed by authorities in this connection. Dr. Voelker, in his valuable Report on the Agricultural Practice in India, admired “the careful husbandry combined with hard labour, perseverance and fertility of the resources of the Indian agriculturist.” The Agriculture Commission in 1928 admitted that “in the conditions in which the ordinary cultivator works, agricultural experts have found it no easy matter to suggest improvement.”¹ These views seem to suggest that it is the environment rather than the cultivator that is at fault. On the other hand, Calvert quotes an Irish writer: “The wealth of a nation lies not in the material resources at its command, but in the energy and initiative and moral fitness of its people; without these attributes no country can become permanently prosperous; with them, no unfavourable circumstance can long prove an insuperable obstacle.”² The implication is that the people of Pakistan are poor because they

1. Report, p. 14.

2. Calvert, *Wealth and Welfare in the Punjab*, p. 47.

lack these qualities (and not because of any physical obstructions). Mr. Keatinge recognises that the cultivator "may be strong, industrious and intelligent," but adds that "if he is to do good work he must be prompted by an adequate incentive and sustained by adequate food."

The truth of the matter is that where circumstances are favourable, the Pakistani peasant does show considerable native intelligence, industry and resourcefulness. But where rainfall is precarious or the system of land tenure is oppressive, these qualities get undermined. In a general way, however, it is true that our rural masses are far below the standard of physical, mental, and moral development which would be regarded as minimum in a more advanced country. The causes of this backwardness are partly historical and political, partly social and partly climatic. Each set of causes is inextricably mingled with the others. The emphasis laid on a particular cause or causes is determined mostly by the political creed of the writer concerned. For instance, the nationalist in British days tended to over-emphasise the political factor. The apologist of the British administration, on the other hand, put the whole blame either on the pre-British administration or on social and climatic factors. Confusion arose from the fact that there was a substantial element of truth in each of these views. The scientific inquirer must try to be as objective as possible and give due weight to each of the factors of the situation. This is easy now that the country is free.

Whatever the causes that have brought about the present state of affairs, no one, however, can deny the facts as they are. There is no denying the fact that the Pakistani cultivator is inferior in physical health and energy to his counterpart, for instance, in Great Britain and U.S.A., even in the European countries. He is subject to a host of endemic and epidemic diseases. Our villages are ravaged by major diseases like malaria, cholera, dysentery, tuberculosis, etc. These diseases not only cause high rate of mortality, with all its wasteful consequences, but also undermine the physical efficiency of those who survive the attack. People chronically subject to disease, moreover, become lethargic, listless and apathetic. The solution of this problem implies both preventive and curative measures. The Public Health and Medical Departments of the Government have done some work in this connection and conditions have considerably improved. But even now most of their benefits are showered upon the urban areas. In view of their numbers and the contributions they make to the revenues

of the State, the rural masses receive inadequate help. A large-scale publicity campaign is necessary to awaken the people to the importance of public health measures. Let us hope the new Basic Democracies will help in this matter.

In the second place, the chronic illiteracy of the rural masses can hardly be denied. When literacy in the country is less than 15% and literate persons are mostly concentrated in towns, the share of literates falling to the villages can be easily imagined. Add to this the fact that our educated classes are the product of a universally condemned system of education, which does not produce men capable of tackling practical problems. As regards agricultural education, after more than half a century of effort, how many practical farmers have been produced by our agricultural colleges? Practically none. A radical change in our system of education is immediately called for, so that it should produce men in close contact with the realities of the situation and needs of the country. The present Government has, we are glad to note, already taken initiative in this matter. From the point of view of agricultural progress we require people with a good minimum of general education and also technical education and training to make good farmers. But such farmers cannot be content with the tiny holdings that are available to them in the villages. Moreover, our villages must be made more attractive and progressive to induce educated men to settle there. This shows how the whole structure of our economic and social life requires a simultaneous reform if not a radical overhauling. The new land reform is a step in the right direction.

With better physical health and education of the right kind, the whole outlook of the villager will change. At present he is condemned as ignorant, superstitious, fatalistic, improvident and extravagant. It is said that he lacks initiative and tends to stick to the old ways of life and work, that he has no desire to improve his standard of living. If he gets a larger income due to some chance, he reacts by being extravagant in expenditure on social ceremonies or on litigation. These accusations are true, though not always without qualification. But all defects are curable by persuasion, propaganda and education on right lines. Some work has been done by various Government departments. But a well-planned, comprehensive and nation-wide effort is necessary to bring about any substantial and permanent results.

After studying the various possibilities of increasing production

through the extensive and intensive methods we come to the conclusion that there is considerable scope for both these methods in Pakistan. Substantial areas can be brought under the plough, particularly in West Pakistan, mainly through the extension of irrigation facilities and taking measures to arrest waterlogging, salinity and soil erosion. Yield per acre can be increased by using better seed, more adequate manure, better implements, and more plant-protection measures. Better education and training of the cultivator himself can also increase his efficiency as a worker. Other factors, however, need to be considered. One is the unit of cultivation. Unless the farm is large enough to give proper scope to these various agents to operate to the best advantage, productive resources will not be used in the most effective manner. The second is the relationship of the cultivator to the land he cultivates. This is also of great significance, because on it depends, largely, the incentives that will bring out the cultivator's best qualities of industry, economy and forethought.

6 · 10 Importance of Organisation

The various methods discussed above to increase yields have been known for quite a long time. In evolving the cultivation techniques as well as improved seeds, fertilisers, etc., the Provincial Agriculture Departments and the various educational and research institutions connected with them have played a significant role. A sort of agricultural extension work has also been attempted by the staff of these departments. But the impact of these activities on the agricultural yield is hardly noticeable. In fact, in some cases the average yield has gone down as is shown by the Table on the next page in which we give five-yearly averages separated by a decade to eliminate the seasonal factor. Partly the reason may be that with the pressure of population on the soil less fertile lands have been brought under the plough which have depressed the over-all average or the spread of waterlogging and salinity may have something to do with it. Even then if the methods discussed above had been conscientiously applied better results could have been shown. It appears that these methods have not been systematically brought to the notice of the farmer. Perhaps the routine Government Departments of Agriculture were not fitted for this task with their half literate "Maqaddams" backed by "officers" of the department ranging from the agricultural assistant to the Provincial Director. They have been entrusted with too many functions to be able to perform any of

them satisfactorily. They have been called upon "to expand extension and demonstration services, to open and manage new seed farms, to organise a vastly increased supply of fertiliser and better seeds and develop the completely new subject of plant-protection." They had to "open an engineering wing to operate tractors and bulldozers for cultivation and land clearance and to sink tubewells and operate power pumps."¹ Hence their achievements have fallen far short of the needs of a developing economy.

Table No. 25

Yield Per Acre of Principal Crops in Pakistan (in Maunds)

Crop	East Pakistan		West Pakistan	
	Average 1947-48 to 1951-52	Average 1957-58 to 1961-62	Average 1947-48 to 1951-52	Average 1957-58 to 1961-62
Rice (cleaned)	10.0	11.0	9.4	9.4
Wheat	6.2	6.2	9.5	8.7
Maize	6.5	7.7	10.8	10.9
Barley	5.3	5.9	7.6	7.5
Gram	6.7	6.8	6.6	5.7
Sugarcane	398.4	396.9	347.3	320.9
Rape and Mustard	5.0	4.6	4.4	4.7
Tobacco	9.3	8.1	15.2	17.0
Cotton	1.5	1.7	2.0	2.4
Jute	15.1	17.7	—	—
Sesamum	5.1	5.0	3.3	2.7
Tea	6.3	8.0	—	—

It was because of this that the Food and Agriculture Commission

made the proposal for a new kind of organisation—the Agricultural Development Corporation—the pivot of their recommendations. The Commission recommended the establishment of such an organisation for each wing of the country. We consider below their constitution, functions and activities, separately for each province.

6 · 11 East Pakistan Agricultural Development Corporation (EPADC)¹

This Corporation was established on 16th October, 1961, by an Ordinance of the Government of East Pakistan. It is an autonomous body free from the impediments faced by a purely Government organisation and has taken up the supplies and services functions of the Department of Agriculture and also initiates and implements development in selected project areas.

Its functions include:

- (i) Making arrangements throughout East Pakistan, on a commercial basis, for procurement, transport, storage and distribution to agriculturists of essential supplies, such as seed, fertiliser, plant-protection equipment, pesticides and agricultural machinery and implements.
- (ii) Promoting the setting up of co-operative societies with a view to handing over to them its supply functions in accordance with a phased programme, and encouraging the development of co-operative societies in other spheres.
- (iii) Taking over and managing (if directed by Provincial Government) seed multiplication farms, livestock breeding farms and fruit nurseries as are owned or managed by the Provincial Government.
- (iv) Assisting, encouraging and promoting the manufacture of improved agricultural machinery and implements.
- (v) In addition to the above the Corporation may give loans in kind, encourage industries processing agricultural products, organise supply and maintenance of lift pumps and tubewells, encourage expansion and improvement of diesel engines used in agriculture, set up cold storage plants, contribute towards the cost of any studies, survey experiments and technical research, etc.
- (vi) Some additional functions refer specifically to project areas which include (a) organising the dissemination of technical

1. For details, Government of Pakistan, Ministry of Finance (Economic Adviser), Financial Institution.

Knowledge among agriculturists with a view to ensuring intensive use of improved seed, fertiliser, plant protection material, better cultivation techniques and credit, including supervised credit: (b) dealing with all matters pertaining to land reclamation, range management, dairy industry, organisation of agriculture in new areas, harnessing hill streams, conservation of catchments, planning agriculture through suitable crop rotation, mixed farming, marketing, processing of agricultural produce, organisation of co-operative and block farming; (c) organising credit including supervised credit, (d) undertaking all functions previously performed by the departments dealing with agriculture, animal husbandry, livestock, co-operative societies, fisheries, forests, consolidation of holdings.

- (vii) Undertaking distribution of water, anti-salinity measures, promoting use of agricultural machinery and organising research including research in land and water utilisation.

It will be seen that the ADC has very wide and comprehensive functions. It is debarred from undertaking practically nothing which can promote agricultural development.

The resources to finance these activities of the Corporation are in the shape of money received from the Government and aid and loans received from foreign agencies. Some assets have also been transferred from the Government to the Corporation. The financial resources of the Corporation are constituted into a fund known as the "Corporation Fund."

The general direction and administration of the Corporation have been vested in a Board of Directors consisting of five members headed by a Chairman, who is the chief executive of the Corporation. Its work is carried out through four wings: (a) Administration, (b) Supply, (c) Field, and (d) Finance.

6 · 12 Working of the EPADC¹

The EPADC has almost overcome its initial problems of organisation. Its Supply Wing and Field Wing have been highly active.

The Supply Wing has achieved a major break-through in its fertiliser distribution programme. During 1963-64 (nine months) its fertiliser sales were about 86,000 tons as against 49,000 tons in 1962-63 (full year). It has deployed 2,600 power pumps, and 150

tractors to irrigate and cultivate 170,000 and 30,000 acres respectively during 1963-64 as against 1,367 power pumps and 93 tractors used in 1960-61 to irrigate and cultivate 62,000 and 11,000 acres respectively.

Under the seed multiplication and distribution programme it has now 22 seed multiplication farms covering 6,567 acres of which 5,263 acres were put under cultivation during 1963-64. During the first half of 1963-64, 1,371 tons of paddy and 17 tons of jute seed were produced. Such seed is further multiplied by registered growers. The Corporation supplies seeds for sugarcane and other crops to cultivators who are willing to use them. It also procured 1,280 tons of improved potato seed from Holland and Burma. In order to support its seed schemes, the Corporation is setting up a Seed Testing Laboratory at Mymensingh.

The Field Wing of the Corporation has drawn up a survey and investigation scheme for the development of Chittagong Hills Tracts and negotiations have begun with the Canadian Government for engaging a firm of consultants to carry out the survey and make recommendations regarding the possibilities of agricultural development of that area.

6 · 13 West Pakistan ADC

The West Pakistan ADC was established in October 1961 by an Ordinance of the Government of West Pakistan. Its objectives and functions are the same as those of the East Pakistan ADC and, like the latter body, is managed by a Board of Directors with a Chairman. Its organisation is also similar.

The WPADC has been entrusted with three main functions, which are carried out by its Field Wing, Supply Wing and the Small Dams Organisation. The Field Wing is entrusted with the development of Project areas as declared by the West Pakistan Government under the ADC Ordinance, 1961. The Supply Wing arranges for agricultural supplies in the whole of West Pakistan. The function of the Small Dams Organisation is to construct small dams in hilly areas.

The working of each of these wings is briefly discussed below.

The efforts of the Field Wing have been concentrated mainly in the two Project areas, viz. Ghulam Mohammad Barrage and Guddu Barrage. In the G. M. Barrage, up to December 1963, out of the commanded area of 28 lakh acres, 6 lakh acres of private and about 11 lakh acres of Government land were released for irrigation. The Corporation has set up 142 chaks, constructed 131 tanks for drinking

water and established four forward camps for affording technical assistance and guidance to settlers and has set up small *mandi* towns to provide marketing facilities. Great emphasis is laid on extension work in the form of dissemination of technical knowledge among the settlers through demonstration-cum-experimental farms, extension publicity and research stations. Up to the end of 1963 the Corporation had helped in organising 146 co-operative societies. Through its Agricultural Machinery Organisation which has a fleet of 98 tractors the Corporation had levelled and cleared 1.5 lakh acres out of 2.5 lakh acres of Government land by the end of 1963.

The Second Project Area—i.e. Guddu Barrage—commands 27 lakh acres of land in all. Out of the total disposable area of 6 lakh acres of State land, 1.7 lakh acres had been disposed of to different categories of settlers by the end of 1963. In the Barrage area 3.76 lakh acres require development with the help of heavy earth-moving machinery, involving such operations as levelling, jungle-clearing and shrub eradication. To develop this land over a period of five years the Corporation has applied for a foreign loan to purchase 150 tractors. One of the major handicaps in the way of development is the absence of roads connecting the various habitations in the newly colonised areas. Efforts, however, are being made to help the farmers as far as possible in the way of medical aid, technical “knowhow,” supply of seed and plant-protection measures. During 1963, plant-protection coverage was given to 31,895 acres and over 436 tons of seeds were subjected to treatment.

Apart from the above the Corporation is managing certain livestock farms, and has undertaken surface drainage schemes to combat the menace of waterlogging and salinity in the Project areas. It has also an ambitious programme of afforestation over an area of 120,000 acres.

Through its Supply Wing the Corporation has, between August 1962 and December 1963, distributed 3.6 lakh tons of indigenous and imported fertiliser. It has a scheme in hand for the procurement and distribution of implements at a cost of Rs. 15 lakhs. Since January 1963 it has taken over 17 seed farms covering an area of 27,800 acres and plans to run these farms on commercial lines for foundation seeds.

It has already procured during 1963 substantive amounts of seeds of maize, rice, wheat and cotton. The target for 1964 is 11,000 tons of

cotton seed and 1,834 tons of paddy. From Holland 367 tons of Ulimus variety of potato seed were imported and distributed to growers.

In 1962, the Small Dams Organisation was placed under the administrative control of WPADC for the purpose of constructing small dams in the hilly areas. Misriot Dam was completed and formally inaugurated by the President on 1st October, 1963. Two more dams, Tanaza and Sipiala, are nearing completion.¹

6 · 14 Concluding Remarks

From the above account of the activities of the Agricultural Development Corporations in East Pakistan and West Pakistan it would appear that the new organisations are playing a more effective role in the development of agriculture than the older Government Departments. Their functions embrace almost all aspects of agricultural development, and if such a concentrated effort is persisted in, it promises a real break-through in the development of this dominant sector of the economy. The degree of success of these institutions, however, will be conditioned by a number of factors: (a) the ability and the earnestness with which the staff of these organisations will perform their duties; (b) the existence of adequate incentives among the farmers; and (c) the physical possibilities of utilising to the optimum extent what these organisations have to offer in the way of supplies and technical "knowhow." Assuming that the personnel responsible for carrying out the functions of the two Corporations comes up to the standard, the final achievements will be conditioned by the following:

(1) The size and character of the unit of cultivation.

(2) The incentives for effort and investment available to the farmer. These will depend upon:

(a) The terms under which the farmer cultivates the land, particularly when he works as a tenant of a landlord.

(b) The price that the farmer expects to get for his produce from the market.

(c) The taxes that the Government levies on the produce or on the land of the agriculturist.

(3) Availability of credit for financing agricultural operations and marketing of the product.

We now propose to study each of these problems in turn.

1. Economic Survey, op. cit., p. 28.

CHAPTER 7

Land Tenure

7·1 Importance of Land Tenure

The system of land tenure in a country determines the legal and customary relationship between the land, the cultivator and the other parties having interest in such land. Thus land tenure gives answer to such questions as the following: Who owns the land and what is the nature of this ownership? On what terms and conditions the land is cultivated and by whom—the owner, or one of the varieties of tenants? What is the position of the State as regards ownership rights, and the rights in the share of the produce as a contribution to its finances? The importance of the system of land tenure is thus quite obvious. It determines the size of the unit of ownership and cultivation, and thus indirectly the techniques of farming used. It settles the share of the cultivator in the produce of the soil and consequently the incentives imparted to the actual worker engaged in agricultural operations. Thus it not only influences the total production that could be obtained from a given area, but also determines whether such production is equitably or inequitably shared among the parties concerned. Moreover, it determines the relative social and political status and position of those who own the land and those who cultivate it. A defective system of land tenure can thus be a great obstacle in the social and economic progress of a country. It is contended in the following pages that the land tenure system in Pakistan has until recently been acting as such an obstacle.

7·2 Evolution of Land Tenure in Pakistan

Historically speaking, the oldest system of land tenure in Pakistan

has been the system of Permanently Settled Landed Estates, called the Zamindari System of East Bengal. This was the oldest system because the areas included in the Province of Bengal were the first to be possessed by the British East India Company when in 1765 the Emperor Shah Alam granted the Dewani (right of collecting revenue) of Bengal and some other areas to the Company. The Company first tried to collect the revenue through its own officials, but as this method prove unsuccessful, they began to auction the rights of collection from 1772 onwards. These revenue collectors, however, did not become proprietors until after the Permanent Settlement of Bengal in 1793 by Lord Cornwallis.

Under this arrangement, hereditary proprietary rights were conferred on the revenue collectors who thus became Zamindars (or owners of land). The only condition to which they were subject was that they paid a fixed amount of revenue. The revenue was fixed in cash in perpetuity at 10/11th of the rents realised by the Zamindars at the time, 1/11th being left to the latter as their share. This charge had to be paid within the fixed time limit, failing which the estate could be sold by auction.

It should be noted that the persons on whom the proprietary rights were conferred were never owners of those lands. Actually the rights of ownership had always belonged to the cultivators from times immemorial, but such rights had very little value in those times and were never pressed. Now they were conferred on the revenue collectors, who were mistaken for landlords in the English sense, due to misunderstanding of the local conditions.

The revenue charge thus fixed was fairly heavy at the time, but later the value of the land gradually rose, due to increased security and higher prices, and the charge became very light. This enabled the Zamindars to increase their rents, since no legal limitations had been put on the enhancement of rents by the Regulations enforcing the Settlement. On the other hand, subsequent Regulations (in 1794, 1797 and 1882) and later an Act of 1885 authorised the proprietors to increase their rents on certain grounds. Thus, the Zamindar's income increased both at the expense of the tenant and that of the State.

As the margin between the claim of the State and the economic rent of the land increased, another vicious development took place in the permanently settled areas. This is known by the name of "sub-infeudation." By sub-infeudation is meant the emergence of a

large number of rent-receiving interests between the cultivator and the State, through the process of sub-letting of land. Sub-infeudation to some extent exists even in the temporarily settled areas of Pakistan, but its most serious manifestation appeared in Bengal under Permanent Settlement. The basic reason for this development was the existence of a big margin between the economic rent of an estate and the land revenue demand of the Government. This margin enabled a large number of rent-receiving interests to squeeze themselves between the State and the tiller of the soil, each having his share represented by the difference between what he received from the one below him and what he paid to the one above him. The Simon Commission (on Indian Constitutional Reforms) observed in 1926 that in some cases as many as fifty or more intermediary interests existed between the Zamindar at the top and the cultivator at the bottom. Similar observations were made by the Banking Enquiry Committee in 1930 and the Bengal Land Revenue Commission in 1940. Such a system, apart from creating conflicts between the various interests, was devoid of all incentives for agricultural development. A recent law has abolished this system, as we shall see.

By the middle of the nineteenth century the evils of the system were already apparent. The peasantry was being exploited; a large number of interests in land were created; and the State was losing its due share of the revenue. As the dominion of the British extended to other parts of the sub-continent, the system of Temporary Settlement was adopted. As regards ownership rights, they were adopted according to the conditions prevailing in each area or according to the view taken by the particular settlement officer. For instance, in the Punjab and N.-W.F.P., some large estate-holders had established their proprietary rights during the period of political unsettlement. These rights were recognised. Other large estates were awarded to those who had lent a helping hand in the conquest. Where village communities of small peasants existed, as in the eastern and central Punjab, the Mahalwari system was introduced. In Sind, which was a part of the Bombay Presidency for a long time, the Ryotwari system was introduced in conformity with the pattern evolved in South and West India. Here the main reason was the superfluity of land and the scarcity of cultivators. The State kept the proprietary rights because these were not regarded as of much value by the occupants. It was, in fact, a concession to the cultivators rather than to the State. If full ownership had been conferred on the cultivators, they would

have been liable to pay land revenue whether they cultivated a particular plot or not. Later, in Sind, with the coming in of the canals, land values rose and a situation analogous to large landlords of the Punjab and N.-W.F.P. was created. The occupants became, to all intents and purposes, absentee landlords.

7.3 Land Tenure System of Pakistan

Due to historical reasons, explained above, a variety of land tenures had developed in various parts of Pakistan. Therefore, we cannot present any fixed or uniform pattern which could be true even of one particular province, not to speak of the country as a whole. The various systems inherited by Pakistan, however, may be classified as under:

(i) *State landlordism*. Here the ownership of land is claimed by the State. The system, however, is only of minor importance. The proprietary rights of the State exist only in what are called "Crown lands." The proprietary rights of these lands have not yet been conferred on private individuals. These are usually wastelands gradually being brought under cultivation by the extension of canals. Rights in them can be purchased by or conferred upon private individuals under certain conditions. The system is found in the canal colonies of West Pakistan.

(ii) *Private landlordism*. Here the proprietary rights are vested in private individuals. This system again is of two kinds: (a) Permanent Settlement Estate system, where the land revenue claim of the State is fixed in perpetuity as was the case until recently in East Pakistan. This system has now been abolished. (b) Temporary Settlement Estate system, where the land revenue charge is revised periodically, usually after thirty years.

Temporary Settlement system is found in all parts of West Pakistan and also in some areas of East Pakistan. It embraces not only big landed estates but also village communities of small peasant-proprietors in some parts of West Pakistan. When applied to such communities the system is called the Mahalwari (Mahal meaning a village) system in some parts (e.g. Lahore and Rawalpindi Divisions) and Bhaichara (brotherhood) system in others (e.g. Peshawar Division). The distinguishing feature of this system of proprietorship is that the land revenue is fixed on the basis of the village of small peasants who are individually and collectively responsible for its payment. From the economic point of view, the small ownerships stand on a different footing than the large estates, because they are normally

cultivated by the owners themselves, while larger estates involve cultivation by tenants. More of this later.

(iii) *Ryotwari system*. This system stands in between State landlordism and private landlordism, having certain common features of both. Some writers regard it akin to State landlordism because: (a) the ryot or the occupant is free to give up a piece of land if he thinks it is not worth cultivating. In that case he is not liable to the land revenue charge, and the land reverts to the State; (b) the ownership of the "commons" or "Shamilat" vests not in the village community, as is the case under the Mahalwari system considered above, but in the State. On the other hand, for practical purposes, the ryot or the occupant is the proprietor of the land as long as he continues to pay the land revenue to the State. His rights are heritable and transferable. The system prevails in the Hyderabad Division of West Pakistan (the old Sind Province) where the ryots or occupants are large estate-holders and its practical effect is the same as of the large proprietary estates of other parts of West Pakistan.

7 · 4 Agricultural Classes

So far as the ownership and cultivation of land is concerned, the land tenure system in Pakistan led to the emergence of the following classes of people.

(1) *Non-cultivating owner*. He may be a large estate-owner owning hundreds of acres of land or, on the other extreme, he may be the owner of a fraction of an acre which he does not or cannot cultivate himself. He may live on his land or away from it. The typical person of this class is the large absentee landlord who is interested only in gathering his rent through his agents and takes little interest in the fertility of his land or progress of agriculture. He may possess proprietary rights ranging from full rights of ownership (transfer, mortgage, sale, etc.) as in what were until recently the Punjab and N.-W.F.P., he may have rights of occupancy under the State (as in Sind) or he may merely have a rent-receiving interest as one of the intermediaries between the real owner and the cultivator as has happened through the process of sub-infeudation in East Bengal. His main characteristic is that he shares the produce (in cash or kind) on the basis of legal right (which was frequently supplemented by illegal exactions) usually without contributing anything to the process of production.

(2) *Non-owner cultivator*. He may be an occupancy tenant of a private landlord on the one extreme, or merely a casual agricultural

labourer on the other. The typical person of this class is a tenant-at-will who cultivates the land belonging to a large owner (though allotted to him and his kind in small parcels). He may, however, be cultivating small parcels of land belonging to one or more small owners who do not cultivate the land themselves. They are found in all parts of Pakistan. Tenancy legislation attempted to protect him, as we shall see.

(3) *Owner-cultivator or peasant-proprietor*. He may have full property right in his land and may differ from the large landlord only in the smaller size of his holding. Or, he could be, until recently, a holder with occupancy rights in land or a ryot having well-protected rights in the land he cultivates though there is a Zamindar at the top who is the real owner as in East Pakistan until recently. Occupancy tenants found in West Pakistan also could be classed under this head for all practical purposes. The typical peasant-proprietor, however, is a comparatively small holder belonging to a village community or Bhaichara (as in the old provinces of Punjab and N.-W.F.P.). His holding is generally of an uneconomic size and is as a rule fragmented. Some of them may supplement their ownership with lands taken on tenancy.

None of the above classes before the recent reforms could be conducive to progressive agriculture. The landlord was interested only in his rent or share of his produce, especially when his estate was big enough to give him a comfortable or luxurious living. The tenant had little incentive to put in his best because he had to give a heavy share of the produce to the landlord and his position was of servility and dependence on the owner of the land. The peasant-proprietor had little financial backing and his holding being small and fragmented was not amenable to the application of modern scientific methods of production. He was invariably in debt because he had need to borrow and had land which could serve as security.

7.5 Problems Created by Land Tenure

Broadly speaking, there were three basic problems which had resulted from the land tenure situation in Pakistan on the eve of the establishment of the Martial Law regime. These were:

- (a) Absentee landlordism.
- (b) Exploitation of tenants.
- (c) Uneconomic unit of farming.

Absentee landlordism was mainly the result of concentration of land in the hands of large landlords or Zamindars possessing varying

degrees of property rights in such lands. It is more the fact of concentration than the nature of legal rights which is of significance from our point of view. Adequate statistics of the degree of such concentration are not available. But enough data is available to establish the existence of large landed estates. For instance, in the Punjab land-ownership was distributed as follows:

Table No. 26¹

		Area Owned		No. of Owners	
		Lakh acres	% of Total	Lakh acres	% of Total
Owners of less than					
	10 acres each	70.92	31.7	18.09	79.0
„	of 10 to 100 „	100.28	46.3	4.76	20.7
„	of 100 to 500 „	25.02	11.5	.12	} .3
„	of above 500 „	22.95	10.5	.01	
Total		221.17	100.0	22.98	100.0

Thus over one-fifth of the total cultivated area was owned by less than one-half per cent of the owners, and about 80% of them owned less than one-third. In Sind it was estimated that 3% of the total owners, owning on the average 1,000 acres of land each, owned 48.6% of the total cultivated area. Again, over 70% of the total farm land was owned by only 7% of the total owners who owned on the average 300 acres or more each.² In the N.-W.F.P., 1.9 million acres out of 2.5 million acres of cultivated land (i.e. 47% of the total) was “in the hands of large owners.”³ In East Pakistan there were large estates owned by absentee Zamindars, though 70% of the land was held by tenants who enjoyed full occupancy rights and might be regarded

1. Based on data given in the Tenancy Enquiry Committee's Report App. VI, para 6.

2. Based on data given in Sind Administration Report, 1936-37.

3. Muslim League Agrarian Reform Committee Report, 1949.

owners for all practical purposes.

As a result of this kind of distribution of ownership, a high proportion of the area, particularly in West Pakistan, was being cultivated by tenants. In the Punjab, according to the Tenancy Enquiry Committee (1949), 56% of the total area was cultivated by tenants-at-will and another 6.7% by occupancy tenants. In Sind 80% of the total area was cultivated by Haris, the tenants-at-will of that province. In N.-W.F.P., the tenants cultivated about half of the total arable land.

Neither large ownerships nor tenancy cultivation is undesirable under all circumstances. In fact, as Calvert has pointed out, "the best agriculture in the world is carried on under the tenancy system (England)." But that is because "the English landlord is the tenants' best friend and spends fully one-third of his rental back on the land and its needs." "While most Punjab landlords," adds Calvert, "spend practically nothing back on the land."¹ Further, in England and in other advanced countries, where tenancy cultivation prevails, land is leased out to tenants (usually of substantial means) in return for cash rent in fairly large blocks. During the term of the lease the landlord does not interfere in the day-to-day operations of agriculture. The tenant is an independent farmer who has capital enough to make adequate investments on the land and normally uses up-to-date techniques of production. In Pakistan, particularly West Pakistan, the landlord had settled on his land families of tenants usually having meagre resources, giving them areas hardly enough to serve as economic units. He himself in most cases supplied neither capital nor management nor any other assistance to promote productivity of his land. The rents were, as a rule, in terms of a share in the gross produce, the most common proportion being 50 : 50. The landlord was interested only in the collection of his share usually through his agents. He lived a luxurious life in the town or at his country-seat forgetful of his responsibilities as owner of the most scarce and valuable national assets. His main hobbies were political adventure or local intrigues against his peers and exploitation of the tenant.

7 · 6 Exploitation of the Tenant

These conditions made it easy for the landlord to exploit his tenant. Due to the pressure of population on the soil, there was land hunger in the country, and the tenant's bargaining power was weak even if he were to be a free economic agent, which he seldom was.

1. Calvert, *Wealth and Welfare in the Punjab*, p. 126,

Even where pressure of population was light as in Sind, the tenant was at the mercy of the landlord because of his poverty, ignorance and lack of alternative avenues of employment. The landlord was a man of substance economically, of high status socially and of influence in the field of politics and administration. Exploitation of the tenant took many forms and its degree varied from place to place according to circumstances. High rents, illegal exactions, like *abwabs* and other taxes and contributions, personal services without payment, and other forms of exploitation were quite common. Normally, as already mentioned, the rents were half of the gross produce in kind, the tenant meeting all the costs of cultivation. In periods of low prices, as during the decades preceding World War II, this hardly left the tenant remuneration for his labour at the prevailing wage rates in the neighbourhood. When prices were high, as during the war and after, he managed to make both ends meet by strict economy. As regards the illegal exactions, which reduced the share of the tenant still further, the Muslim League Agrarian Reform Committee drew attention to several of them which they noticed during their investigations. According to Mr. Darling, they were still prevalent (particularly in Sind) in 1956, in spite of their being prohibited by legislation. These oppressive charges included "Begar," "Khurcha," "Munshiana," "Kamiana" and "Karaya." In certain parts of the country there were other taxes which the landlord exacted from the tenant, e.g. tax per hearth, window and even for every domestic animal or chicken. Landlords in backward areas were even known to charge a homage on the marriage of the tenant or his children.¹ One is struck with the similarity of these conditions to those which prevailed in Europe during the worst days of feudalism.

There was considerable evidence of rack-renting, though the worst cases might be only exceptional. According to an investigation by the Punjab Board of Economic Enquiry, the landlords' share was sometimes as high as 75% or even 90%. The rack-renting of the tenant was officially admitted from time to time. "The tenants are sometimes rack-rented, poor and insecure," wrote the Punjab Government in a communication to the Bengal Famine Enquiry Commission as long ago as 1943, "and consequently have not the means of the necessary incentive to effect improvement,"² and these conditions had continued.

1. Muslim League Agrarian Reform Committee Report, p. 15.

2. Report of the Bengal Famine Commission, Vol. II, p. 266.

7 · 7 Effects on Productivity

Apart from the effects of absentee landlordism and the tenancy system that had resulted from it on the tenant, the effects upon the productivity of land were quite serious, since the system took away incentives for capital investment and sustained work on the part of the tenant. The principle underlying the absence of incentives was stated by Marshall as follows: "When the cultivator has to give his landlord half of the return to each dose of capital and labour that he applied to the land, it will not be in his interest to apply any dose the total return from which is less than twice enough to reward him."¹ Mr. Calvert, who observed tenancy cultivation at close quarters in the Punjab, noticed the working of this principle in actual practice. "The tenants generally," he wrote, "take less care in preparing the land, plough it less often, manure it less and use fewer implements upon it than owners. They grow less valuable crops, especially avoiding those requiring the sinking of capital in the land. They make little or no effort for improving their fields; they often keep a lower type of cattle, they avoid perennials and bestow no care on trees."²

7 · 8 The Unit of Farming

Low productivity of agriculture was not merely due to the lack of incentives on the part of the tenant. There were other factors too which operated both on the owner-cultivators and the tenant-farmers. One important factor among these was (and still is) the small unit of cultivation which was also frequently fragmented. The small unit of farming may be due to: (a) allotment of land to tenants by large owners in small parcels and (b) small unit of ownership in the case of peasant-proprietors. Both are ultimately due to population pressure on land. No amount of land reform as such can remove this defect. The remedies lie either in the direction of population control or in that of rapid industrialisation. To this extent the subject falls beyond the scope of the land reform programme with which we shall be concerned in the present context. Certain organisational changes, however, could be suggested to relieve the situation pending the availability of long-term solutions indicated above.

A few facts may be quoted here to indicate the magnitude of the problem of the size of the unit of cultivation. The overall land-man

1. Marshall, *Principles of Economics*, 7th Ed., p. 644.

2. Calvert, *op. cit.*, p. 20.

ratio at the emergence of Pakistan is indicated by the following table:

Table No. 27

Province or State	Total Area under Crops 1946-47 to 1948-49 Average 1,000 Acres	Total Agri- cultural Labour Force (1951) 1,000 Persons	Cropped Area per Head of Agricultural Labour Force Acres	Average Unit of Cultiva- tion
Punjab	14,563	3,656	4.0	6.0
Sind	5,111	1,106	4.6	6.9
N.-W.F.P.	2,825	659	4.3	6.4
Baluchistan	469	260	1.8	2.7
Bahawalpur	2,026	411	4.9	7.3
Khairpur	319	80	4.0	6.0
Total West Pakistan	25,313	6,182 ¹	4.1	6.1
Total East Pakistan	24,596	10,715	2.3	3.4
Total Pakistan	49,909	16,897	3.0	4.5

If it is assumed that an average family has two agricultural workers, this gives an average of from 8 to 10 acres per family. This is not a holding, but a cropped area. If cropping is assumed to be 50% more than the cultivated land, the unit of cultivation may be assumed on the average to be as given in the last column. These, however, are only averages and do not take into account the fact that there are some large holdings too and the soil is not of uniform quality. Some other figures indicate that quite a large proportion of cultivators have been cultivating holdings below the economic size even for primitive methods of production usually employed. Thus in the Punjab, according to the Royal Commission on Agriculture (1928), "76% of the cultivators cultivated less than 10 acres each and

1. N.-W. Frontier regions and the Karachi Capital Area have been excluded.

55.2% less than 5 acres each."¹ The Tenancy Laws Enquiry Committee of the Punjab has given figures² to show that on an average a peasant-proprietor's holding works out to be 3.9 acres and that of a tenant-farmer 3.8 acres. In Bahawalpur at Partition 102,862 peasant-proprietors owned 1,414,836 acres and 337,637 tenants-at-will held 1,751,346 acres of land. This gives average holdings of 13.7 acres and 4.9 acres for peasant-proprietors and tenant-farmers, respectively. The situation must be worse now, since the pressure of population on the soil has been growing. No figures are available for other parts of West Pakistan. We may, however, take it that in the former N.-W.F.P. the size of the unit of cultivation is about the same as in the Punjab, and in Sind it is larger than in the former Punjab. In the former Sind, however, due to irrigation limitations only small portions of the total holdings are sown with crops each season—following what is called "shifting cultivation." As regards East Bengal, about thirty years ago, the Royal Commission on Agriculture found that in Bengal half of the holdings were barely sufficient for the maintenance of the farmers cultivating them.³ Special inquiries show that in this province before division 42% of the farmers' families had holdings below 2 acres each while 21% had areas between 2 and 4 acres each.⁴ No wonder the Bengal Land Revenue Commission regarded it "the most difficult problem we have to face, because it is virtually impossible under present conditions to suggest any remedy."⁵

The problem of holdings, however, does not finish at their small size. If the whole of the areas cultivated by a peasant-proprietor or a tenant-farmer is found in a consolidated farm at one place, he might be able to make a better use of the land and other resources. But this is not the case. The holdings are not only small but in many areas of Pakistan they are also fragmented. The total holding is made up of tiny plots scattered all over the village area intermixed with other plots belonging to different cultivators. In the canal districts of West Pakistan, the evil of fragmentation is not a problem. In certain areas, however, it is quite serious. For instance, in the Attock District (now Peshawar Division) "in many villages with an area less than a square mile the Zamindar has to go on an average of two miles to his field as

1. Report of the Royal Commission on Indian Agriculture.

2. The Punjab Tenancy Laws Enquiry Committee Report, App. IV and VI.

3. Royal Commission Report, p. 176.

4. Bengal Land Revenue Commission Report, Vol. I, pp. 85-86.

5. Ibid.

against three furlongs or less, which would be the distance if the village had been laid out more scientifically.”¹ Similar conditions prevail in other parts of Pakistan, except where fields have been planned out before colonisation or opening up of the areas for canal irrigation.

Fragmentation is mainly caused by the growth of population and operation of the law of inheritance which requires division of property among all the sons (now also daughters) of the deceased, each claiming a bit of every kind of land; decay of handicrafts pushing people on to land; attachment of the people to landed property so that they stick to their share even when they migrate to towns; agricultural indebtedness leading to sale of pieces, etc.

Small holdings are uneconomic to cultivate but fragmented holdings are more so. The already poor equipment of the cultivator is wastefully utilised; scientific cultivation becomes impossible, like digging of wells, employment of labour-saving devices, introduction of more valuable crops; cost of protecting the crops, if protection is at all possible, is higher; much area is wasted in hedges and paths and much time is consumed in moving from plot to plot.

The problems created by our land tenure suggest that reform was urgently needed. The next chapter discusses the problems of land reform in Pakistan.

1, Quoted by Nanavati and Anjaria, *Indian Rural Problem*, p. 30,

CHAPTER 8

Land Reform

8 · 1 The Concept of Land Reform

In the present context we shall use the term "land reform" to include all measures aiming at readjustment of the various rights and obligations connected with the ownership and use of land with a view to (i) increasing its productivity and (ii) ensuring higher living standards and improved social status to those engaged in its cultivation. Thus, the aims of land reform are not only economic but also social and political. It is realised that the structure of rights in land is not only a major barrier in the way of economic progress, but can also have serious repercussions on the social life of the people and the political stability of the country. In this chapter we shall trace the history of land reform in Pakistan culminating in the recent land reforms introduced by the Martial Law regime.

8 · 2 Land Reform in Other Countries

Land reform has been carried out in various countries of the world in recent years. It has mainly taken two forms. (a) The conservative approach which has mainly aimed at consolidation of holdings, land reclamation, provision of greater credit facilities and, above all, regulation of landlord-tenant relationship, particularly with a view to safeguarding the rights of the latter. (b) The radical approach, in which the main principle followed is that the land belongs to the tiller of the soil. Under the second type of reform, large estate-holders have been, partly or wholly, expropriated with or without compensation. The land thus released has been distributed among landless labourers, agricultural tenants or peasant-owners of small holdings. In some countries the elements of both these types of land reform have been

introduced in varying degrees of combination. In India, for instance, the land reform policy has aimed at the abolition of intermediaries, fixing of ceiling on holdings, regulation of landlord-tenant relations and reorganisation of agriculture, including consolidation of holdings, prevention of fragmentation and development of co-operative village management and co-operative farming. Different policies have been introduced in different areas according to the local conditions and varying degrees of success have been achieved. In Japan the reforms of 1946 led to the transfer of land from the non-working or absentee owners to the actual tillers. Land reform in Burma resulted in the abolition of large landed estates and their distribution among the peasant-cultivators. In Egypt a ceiling on ownership, about 210 acres of agricultural land, has been fixed and the excess land is distributed among the cultivator-farmers and farm-labourers. In all these cases the expropriated landlords have been compensated though the compensation is only nominal. In many of the countries of Central and Eastern Europe more radical measures have been taken and in some cases the old land-owners have not been given any compensation. Such reforms have been carried out in Finland, Poland, Czechoslovakia, Rumania, Yugoslavia and the Baltic States of Estonia, Latvia, Lithuania. The countries which have followed the more conservative approach to land reform include U.S.A., U.K., Germany, France, Netherlands, Denmark, Sweden and Norway.

8 · 3 Land Reform in East Pakistan

Coming to Pakistan, let us start with the oldest province of India, i.e. Bengal. The Province of East Bengal (now East Pakistan) was created through the partition of the old Provinces of Bengal and Assam, and the tenancy laws inherited by the new Province had been evolved in the Bengal Province during the preceding century or so. As we have already mentioned in the previous chapter, the Permanent Settlement of 1793 fixed the land revenue at a sufficiently high level and gave proprietary rights to the Zamindar, who collected it as strictly as he could to increase his own share. Though it was originally intended that the rights of the tenants would be secured, no positive step was taken in this direction until 1859, when the first Indian tenancy law was passed, known as the Bengal Rent Act of 1859.

This measure was later amended by the Tenancy Act (Act VIII) of 1885. This Act provided that every cultivator who had held land

in a village for twelve years acquired thereby an occupancy right. The idea was to prevent ejectment of tenants by the landlords on flimsy grounds. Most of the tenants (called *ryots*) thus became "occupancy tenants," i.e. tenants who could not be ejected from the land except under stated conditions and in execution of a decree of a competent court. Further, under the new law their rents could not be enhanced at intervals shorter than five years.

This Act was subsequently amended by the Bengal Act I of 1907. The object of this Act was to give greater facilities to landlords for the collection of rents and also to guard against enhancement of rent by collusive compromises. This amendment also removed ambiguities, anomalies and defects found in the Act of 1885, through twenty years of enforcement. About twenty years later, in 1928, another Act was passed under which holdings could be transferred by the tenants subject to the payment of a fee. This Act also gave the landlords the right of pre-emption and further strengthened the rights of sub-tenants.

The next important measure was the Bengal Tenancy Act of 1938, which abolished illegal exactions and cesses charged by the landlords from their tenants, gave the tenant the right to recover his alluvial land within twenty years on payment of four years' rent, conferred the rights of occupancy on sub-tenants as well, and reduced the interest payable on arrears of rent. The combined effect of these laws was that the tenants were made secure against unreasonable ejectments, limits had been put on the enhancement of rents, and the landlord was forbidden to impose any burden on his tenants beyond the legally chargeable rents. Such was the tenancy legislation which the Pakistan Province of East Bengal inherited from pre-Partition days.

The East Bengal State Acquisition and Tenancy Act of 1951 also contains provisions for the protection of the interests of certain classes of tenants, as we shall presently see.

8 · 4 The East Bengal State Acquisition and Tenancy Act, 1951

The demerits of the system introduced in 1793, later called the *Zamindari System*, were well known for a long time, but the question did not receive official attention until the incoming of Provincial Autonomy in 1937. Under the pressure of public opinion, a Land Revenue Commission was appointed in 1938, under the chairmanship of Sir Francis Floud, to examine the existing land revenue system of the Province with special reference to the Permanent Settlement. The

Commission recommended the termination of the Permanent Settlement and its replacement by a *ryotwari* system eliminating all intermediary interests between the cultivator and the State. The Commission was of the view that this change would not only increase the revenues of the State, but would also open up possibilities for a more progressive agriculture and create a more prosperous peasantry. A bill to this effect was introduced in the Provincial Legislature in 1947, but before it could be passed Partition took place. After the Partition, a new bill, the East Bengal State Acquisition and Tenancy Bill, 1948, was framed, which was passed by the Provincial Assembly in 1950 and received the assent of the Governor-General in 1951 and became E.B. Act XXVIII of 1951.

The East Bengal State Acquisition and Tenancy Act, 1951, provides for a radical reform in the land tenure system of East Pakistan. Under its provisions all rent-receiving interests between the cultivating tenant and the State are to be acquired by the State. The big Zamindari estates can be acquired immediately under summary procedure¹ and the remaining rent-receiving interests were to be acquired² after the preparation or revision of record of rights through comprehensive surveys carried out for the purpose.³ As soon as the intermediary interests have been acquired, the tenants holding the land become tenants of the State, to whom henceforth the rents are payable.⁴ The outgoing rent-receivers are entitled to compensation calculated according to the provisions of the Act. The rules framed under the Act lay down the procedure for the fixation of rent and the preparation of the compensation assessment rolls. As regards rents, normally, existing rates are accepted unless modification is considered necessary due to changed circumstances.⁵ As to the compensation, it is arrived at by deducting from the estimated gross receipts of the rent-receiver the various sums payable as costs incurred by him, such as land revenue, rent, cesses, and agricultural income-tax payable to the Government, cost of maintenance of irrigation works and collection charges. The compensation is a multiple of the net income thus arrived at and varies according to a sliding scale from ten times for net incomes not exceeding Rs. 500 to twice for those exceeding Rs. 100,000.⁶ The compensation

1. Under Ch. II of the Act.

3. Chapter IV, Secs. 17 to 19.

5. Sec. 24.

2. Under Ch. V of the Act.

4. Section 3(4)(e).

6. Sec. 37.

is to be paid partly in cash (up to Rs. 1,000 of the claim) and the balance in non-negotiable bonds carrying 3% interest payable in not more than forty annual instalments.¹ Pending the final calculation of the compensation, the intermediary is to receive an *ad interim* payment at the rate of one-third of the net income to which he is entitled.² Provision is also made for scaling down the debts incurred by the rent-receivers.³

The Act further provides a ceiling for the *khas* (self-cultivation) possession of land, which is either 100 standard *bighas* (about 33 acres) or 10 *bighas* per family member, whichever is greater, plus an additional area not exceeding 10 standard *bighas* covered by the homestead.⁴ Land in excess of these limits is to be acquired by the State (in return for a compensation) and is to be distributed among the cultivating families owning uneconomic holdings and landless agriculturists.⁵ The maximum limit may be relaxed in certain cases; for instance, when large-scale farming is carried on by power-driven mechanical appliances, or in the case of large dairy farms or tea and sugar plantations.⁶

The Act also contains some provisions for the protection of certain classes of tenants. Some of these provisions are consequential to the main provision of the Act, viz. the acquisition of rent-receiving rights by the State. Thus all holders of service tenancies (holding agricultural lands free of rent in consideration of some service to be rendered) will acquire occupancy rights in such land subject to the payment of a fair and equitable rent to their immediate landlord.⁷ Such tenants will be entitled to a compensation if, on an order of a court, they have to move their homesteads from within the homestead of the landlord.⁸ If they have been ejected after 7th April, 1948, their lands can be restored unless the ejectment took place under the order of a civil court or other competent authority.⁹

After State acquisition, all lands held by tenants under the Government are to pay fair and equitable rents. All agricultural tenants or *ryots* have permanent, heritable and transferable rights in

1. Sec. 33.

3. Sec. 70.

5. Sec. 76.

7. Sec. 11(1).

2. Sec. 6(1).

4. Sec. 20(2).

6. Secs. 20(3) and 5.

8. Sec. 12(2).

9. Sec. 13(1).

their lands and are able to use them as they like.¹ An agricultural tenant cannot be ejected from the holding except in execution of a decree of a civil court passed on the ground that he has done an act in contravention of the provisions of the Act.² In cases of transfer of *ryoti* lands, co-sharer-tenants and tenants holding contiguous land have the right of pre-emption.³

The rent of a *ryot* cannot be enhanced beyond the maximum rate of rent fixed in the table prepared for different classes of land.⁴ Rent once enhanced is not liable to enhancement within thirty years.⁵ No tenant, however, is allowed to sub-let his land after State acquisition.⁶

The Act also puts restrictions on the sub-division of holdings and provides for their consolidation under certain conditions.⁷

The Act must be judged as a progressive measure. It removes parasitical intermediary interests and puts the tenants into direct relationship with the State, giving them permanent and heritable occupancy rights and guarantees against unreasonable and frequent enhancement of rents. It puts a ceiling on the total area that a person can hold and guards against the re-emergence of intermediary interests through forbidding sub-letting. Further, it makes provision against sub-division of holdings and provides for their consolidation.

One weakness of the Act should, however, be pointed out. It affords no protection to a class of tenants called *bargadars*. They are share-croppers and are not recognised as tenants in East Pakistan. Data as to their number are not available but, according to one estimate,⁸ they cultivate about 10% to 15% of the land and, according to another,⁹ 19%. As was recommended by the Planning Board (now Planning Commission), the question of granting legal protection to them should be considered.

8 · 5 Implementation of the Act

Now as regards the progress of implementation. As we have seen, the Act allows two methods of State acquisition: (a) the summary method under Chapter II of the Act; (b) comprehensive acquisition on an area basis under Chapter V of the Act. The purpose of the

1. Sec. 86.

3. Sec. 96(1).

5. Sec. 114.

7. Chapter XV.

9. M.L. Darling, *Report on Labour Conditions in Agriculture in Pakistan* (Government of Pakistan, Ministry of Labour), p. 34.

2. Sec. 85.

4. Secs. 98 and 102.

6. Sec. 93(1).

8. *First Five-Year Plan*, p. 315.

summary provision was to enable the Government to acquire certain large estates immediately. First, because this could be done without delay and the Government would acquire funds immediately in this manner. Second, the intention was to forestall some unscrupulous Zamindars who were resorting to a variety of malpractices to evade the law.¹ The general policy was to acquire all court-of-ward estates and also all private estates of 50,000 acres or more. By the beginning of 1955, 423 estates had been acquired under this procedure, out of which 105 estates were acquired during the year 1954-55. This method of acquisition, however, did not prove as easy as expected. Complications arose, among other things, out of the fact that many intermediaries had interests spread in more than one estate, in each of which they occupied a different status. For instance, an intermediary might be a Zamindar in one and a tenure-holder in another estate. Before his rights could be defined and compensation due to him settled, it became necessary to make investigations embracing not one but several estates, and the chain sometimes became endless.

As regards State acquisition under Chapter V (i.e. on area basis), this involved detailed survey, which were expensive and time-consuming. Moreover, the necessary trained personnel to carry out the procedures were not available. Finance was another bottleneck. Due to these reasons, the process of acquisition was slow until March 1956 when the Government decided to acquire all such rights in effect from 14th April, 1956, and let the details regarding compensation, etc., be settled in due course. This decision of the Government, however, was challenged in the court of law. But ultimately the court decided in favour of the Government in January 1957.

Due to the stay orders issued by the Dacca High Court and the Supreme Court of Pakistan, the Government of East Pakistan was unable to collect rents from the tenants. There were also certain other initial difficulties. The collections from properties acquired under the Act have, however, been on the increase in recent years. The amount collected from this source increased from Rs. 29·83 millions in 1954-55 to Rs. 44·34 millions in 1956-57, and to Rs. 126·53 millions in 1958-59 (15 months) and Rs. 115·00 millions was budgeted for the year 1960-61.² The progress of implementation is also reflected in the expenditure incurred (including provision for compensation)

1. *First Five-Year Plan*, op. cit., p. 314.

2. Government of East Pakistan, Civil Budget Estimates, 1960-61, p. 17.

for acquisition and management of properties acquired under the Act. This expenditure increased from Rs. 10·9 millions in 1954-55 to Rs. 45·79 millions in 1958-59 (15th months) and Rs. 61·3 millions was budgeted for 1960-61.¹

In the meantime various legal and administrative difficulties arose which stood in the way of the speedy completion of the process of acquisition. These made it a formidable task to arrange the payment of compensation and to ensure correctness of the records which were being prepared in great haste. The collection of revenue also raised difficult problems. To investigate these questions and submit recommendations the Provincial Government appointed a Revenue Commission in December 1958. The Commission reported in July 1959. Its main recommendations relate to increasing the ceiling limit for possession of *khas* lands from 100 to 300 bighas (about 100 acres per family) generally and 400 bighas in special cases; impartibility of ownership below 3 acres to prevent fragmentation; adjustment in the mode of payment of compensation; reorganisation of the revenue administration, and the training of officers and staff for appointments at various levels to implement the recommendations. Recommendations of this Commission are now under implementation.

State acquisition of intermediary interests will no doubt increase the income of the State even after payment of the entire cost. But this is not an end in itself, though it will be a valuable gain.

The success of the scheme will be determined essentially by its effect on the economy of the Province, and the prosperity of its rural citizens, among whom the majority consists of cultivators. In the short run, the cultivators will hardly gain anything. They will be paying the same rents; only the recipient will be the Government rather than the private landlord or other intermediaries. Before the movement for acquisition created demoralisation among Zamindars, the latter played quite a positive role in the social, economic, and political life of the Province. They helped the peasants in the construction of irrigation works, embankments, etc., and also supplied them with credit in some cases. They promoted schools and charitable institutions and actively participated in religious and social ceremonies and events. Their method of rent collection was also flexible. It is true, however, that during the decade previous to the acquisition, the prestige of the Zamindar had been on the decline and along with this

1. Government of East Pakistan, Civil Budget Estimates, 1960-61, p. 70.

his benevolence to the peasantry. The Partition accelerated this process, since most of the active elements moved out of the country. Even then, the vacuum created by the elimination of the landlord must be filled by some other agency. This may be the co-operative society or the community development organisation under the new Basic Democratic institutions.

It has been suggested (and the suggestion was supported by the First Five-Year Plan) that, instead of making the *ryot* the tenant of the State, as the new Act does, he should be given full proprietary rights in the land he cultivates. In the words of the Plan, "the aim must be to build a rural society largely consisting of independent and self-reliant peasant-proprietors."¹ The cultivating tenants are expected to pay rent to the Government, but if they are turned into owners, they would be liable to pay land revenue only. Since the rent is higher than the land revenue, the excess could be regarded as price of land, the payment of which could be completed over a specified period; or if the cultivator so wished, he could complete the payment in a smaller number of instalments. The Government could fix the price of the land on some reasonable basis. This is a valuable suggestion and needs serious consideration on the part of the Government. This would be in line with land reform scheme under implementation in West Pakistan, as we shall see presently.

The position as it stands to-day in East Pakistan may be summarised as under.

All the rent-receiving interests in East Pakistan now vest in the Provincial Government and the latter have taken possession of all the rent-receiving interests except those of the Wakf and Debottar estates (the incomes of which are spent on charitable or religious institutions). The Government have also acquired and taken possession of the non-retainable *khas* land of the rent-receivers, though not of non-rent-receivers like the cultivating-*rai*yat or under-*rai*yat. They have also not acquired or taken possession of the excess *khas* lands of the retainable classes of rent-receivers as well as the non-rent-receivers in the areas covered by the wholesale acquisition in April 1956. The Government will acquire these when the compensation assessment rolls have been finally prepared.

8.6 Land Reform in West Pakistan

The discussion of land reform in West Pakistan may be undertaken

1. *First Five-Year Plan*, op. cit., pp. 314-15.

in two parts: (i) before the establishment of Martial Law in October 1958; (ii) introduced under the Martial Law regime.

During the first period land reforms mainly consisted of regulation of tenancy and abolition of certain excrescences of the land system like *Jagirs* and occupancy tenants. All these developments took place before the emergence of the integrated province of West Pakistan in 1955. The former provinces, therefore, will be studied separately.

The land reforms introduced by the Martial Law regime are of a more radical nature involving, as they do, modifications of the structure of proprietary rights among other things.

8 · 7 Tenancy Reform in Sind

It was in the former province of Sind, the area now constituting the Hyderabad Division of West Pakistan, that the move for tenancy reform first originated. As far back as March 1942 a Tenancy Laws Committee was appointed by the then Government of the Province to go into the question of granting permanent tenancy rights to the *Haris*—the name given to the tenants-at-will in this area. The Committee reported in 1945 and favoured the grant of tenancy rights to the *Haris* who had personally cultivated at least four acres of land annually for the same Zamindar continuously for a period of eight years.¹ The *Haris* thus protected were not to be ejected except for failure to cultivate the land personally, failure to cultivate efficiently, failure to live in a recognised village within a mile of the farm, failure to pay the prescribed rent, and conviction for certain offences. No action, however, was taken on this Report.

Another Committee was appointed in March 1947 under the chairmanship of Sir Roger Thomas (a Zamindar), which reported in January 1948. This is the well-known "*Hari* Committee," more celebrated for its unpublished minute of dissent than for the published majority report. This Committee had "most serious objection to the grant of permanent land rights in holdings defined by metes and bounds." They were, however, of the opinion that the "Government should legislate through a Tenancy Rights Act to take powers to regulate *batai* (crop-sharing) practices of cultivation and to grant rights to *Haris*."² In 1950 the Sind Tenancy Act, No. XX of 1950, was passed, which, as amended from time to time, abolished *begar*

1. Report, Tenancy Laws Committee, 1945, p. 3.

2. Report, Hari Enquiry Committee (1947-48), p. 55.

(free services) and illegal charges of various kinds and gave permanent rights to a certain class of cultivators. It imposed limits on produce rents and the produce which the landlord might impound for the debt. It further specified the responsibility of landlords and tenants towards each other.

Permanent rights were given to a tenant if, when the Act came into force, he had himself cultivated at least four acres of land for the same landlord for not less than three years continuously.¹ But the area assigned to him must not exceed what could be efficiently cultivated with one pair of bullocks. Where the area cultivated was not fixed, as happens under "shifting cultivation,"² a common system in Sind, then the tenant acquired permanent rights provided he had cultivated, for not less than three years continuously, different "pieces or parcels of land in a single or adjoining hamlet for the same landlord." In that case, he "shall be deemed to be a permanent tenant with a cultivating right in that hamlet," but without the right to cultivate any specific piece of land. If he had cultivated land in different hamlets for the same landlord, the right was extended to such a hamlet or hamlets as might be mutually agreed upon between the tenant and the landlord.³

Apart from these, there were prescribed three other ways in which a tenant could acquire permanent rights: (a) if he had personally cultivated "any land" continuously for at least three years immediately before 1st April, 1948, and was subsequently evicted;⁴ (b) if he completed a continuous period of three years' cultivation of at least four acres at any time after the Act came into force;⁵ and (c) when a landlord granted permanent rights to him of his own accord.⁶ All other tenants remained tenants-at-will.⁷

The Act provided three ways by which permanent rights, once established, were protected. They did not lapse with the death of the tenant and developed impartially as prescribed.⁸ They were not

1. Report, Hari Enquiry Committee (1947-48), p. 55.

2. In Sind cultivation largely depends upon canal irrigation. To facilitate this and economise water, landlords commonly rotate their wheat and cotton crops in large compact blocks on the same water-course. Such a tenant is given land in cotton and wheat blocks, but owing to the rotation scheme, he never tills the same land two years in succession. This is known as the system of shifting cultivation. It was thus that a separate provision had to be made to apply to such lands as against lands cultivated continuously by the tenant from year to year.

3. Secs. 5(2) and (3).

4. Sec. 6(1).

5. Sec. 8.

6. Sec. 7.

7. Sec. 8.

8. Sec. 10.

liable to seizure, attachment, or sale, nor could they be mortgaged¹ or in any way alienated.¹ They could be terminated only if the tenant failed in his obligations either to the landlord or the land, or the land was acquired by the Government for public purposes; or was voluntarily surrendered or abandoned by the tenant; or subject to a year's notice if the landlord required the land for *bona-fide* personal or mechanised cultivation; or for a garden or any non-agricultural purpose. But unless it was required for mechanised cultivation or garden, the area was not to exceed 50 acres. In every case, however, the landlord was to provide the tenant with similar land, if available, in the holding or compensate him as prescribed.²

As regards produce rents, the Act limited them to one-third of the produce where the tenant bore the cost and maintenance of the equipment and to three-fifths on irrigated land, provided he paid for and maintained the equipment. In all other cases, the maximum rent was fixed at half the crops. Limitation was imposed on the produce that a landlord could impound for debt. It could not be in excess of whatever remained after the necessary amount had been set aside to support the tenant and his family, and to cultivate the land.³

The Act specifically fixed the responsibility of the landlord and the tenant towards each other. The tenant was required to provide the requisite labour and equipment, carry out proper weeding of the crops, maintain irrigation *bunds* and water-courses, supply seed, transport landlord's share after division to the local storage, and grow crops as specified by the landlord, etc.⁴ The landlord, on the other hand, was required to maintain water-courses leading from the canal to the field, ensure proper irrigation, lend seed to the tenant if he demands, and allot prescribed area to the tenant on prescribed condition for growing fodder for the cattle and for vegetable cultivation for personal use of the tenant.⁵

Finally, the Act declared illegal all free services (*begar*)⁶ and unauthorised cesses (*abwabs*)⁷ imposed by the landlord on his tenant. All disputes between the landlord and his tenant were to be settled by

1. Sec. 11.

2. Secs. 13, 14 and 15.

3. Sec. 17.

4. Sec. 23.

5. Sec. 24.

6. Sec. 22.

7. Sec. 21.

the local Revenue Officer, subject to appeal to the Assistant or Deputy Collector.

It is doubtful whether the Act gave any substantial security even to the so-called "protected tenants." A Sind Revenue Minister was reported to have said that "a Zamindar would not allow a tenant to cultivate a particular piece of land continuously for more than two years for that would entitle the tenant to permanent tenancy rights."¹ Further, even a few who got such rights were unable to assert themselves in practice because of the tenant's ignorance and illiteracy and the landlord's political and social influence. In fact, the *Hari* Committee had recognised such a contingency and had observed that even after acquiring permanent rights, the *Hari* could be harassed by the landlord "to an extent which may lead to the voluntary abandonment of his rights."² That such things were actually done was testified to by Sir Malcolm Darling in his Report: "The *Hari* is in the main too helpless to take advantage of it [the Act], and in many cases still too ignorant even to have heard of it."³ During his inquiry he was told in a village that "if a landlord is annoyed with a *Hari*, he turns him out." "Formal eviction is not necessary," adds Sir Malcolm; "a landlord can always make things so uncomfortable for a tenant that he leaves of his own accord." Further, a Collector of a district told him that owing to incomplete and faulty revenue records, it was often difficult to decide who had cultivated the land during the last three years. "Lastly," adds Darling, "according to more than one authority, illegal cesses are charged."⁴

8 · 8 Tenancy Legislation in the Punjab

The following legislative measures taken in the former Punjab fall under the scope of land reform as defined previously by us:

- (1) The Punjab Tenancy Act 1887 (Act XVI of 1887).
- (2) The Punjab Tenancy (Amendment) Act, 1950 (Punjab Act XVII of 1950).
- (3) The Punjab Tenancy (Amendment) Act, 1952 (Act VII of 1952).

1. Quoted by *Pakistan First Five-Year Plan*, p. 315.

2. *Hari Report*, op. cit., p. 7.

3. *Darling Report*, op. cit., p. 48.

4. *Ibid.*

(4) The Punjab Protection and Restoration of Tenancy Rights Act, 1950 (Punjab Act XIII of 1950).

(5) The Punjab Protection and Restoration of Tenancy Rights (Amendment) Act, 1952 (Punjab Act VIII of 1952).

(6) The Punjab Abolition of *Jagirs* Act, 1952 (Punjab Act IX of 1952).

The Punjab Tenancy Act (1887) regulated the landlord-tenant relations in the former Provinces of the Punjab and N.-W.F.P. at the time of Independence. The Act, however, only protected the occupancy-tenants against ejectment. The tenants-at-will were left without any legal protection. It defined the circumstances under which a tenant could become an occupancy-tenant. These mainly included continuous occupation of land for a period of from twenty to thirty years and settlement on the land under specified circumstances.¹ An occupancy-tenant could not be ejected from the land except under specified circumstances, and by a decree order of a competent authority. The main circumstances justifying ejectment were enumerated in the Act as:²

- (a) That he had used the land in a manner which rendered it unfit for the purposes for which he held it.
- (b) Where the rent was payable in kind, that he had without sufficient cause failed to cultivate that land in the manner or to the extent customary in the locality in which the land was situated.
- (c) When a decree of arrears of rent in respect of this tenancy had been passed against him and remained unsatisfied.

Tenants having any right of occupancy, but holding land for a fixed term under a contract, a decree, or an order of a competent authority, could also be ejected on the same three grounds mentioned above.³ All other tenants could be ejected at the end of any agricultural year.⁴

The only protection that this Act gave to tenants-at-will, as already noted, was to recognise their claims to uncut crops sown by them and to the cost of preparing land which they might have failed to sow due to ejectment.

1. Rights of occupancy are defined under Secs. 5 and 10.

2. Sec. 39(1).

3. Sec. 40.

4. Sec. 41.

Since the Act of 1887 concerned mainly the occupancy-tenants most of its provisions became void when such tenants were abolished by the Punjab Tenancy (Amendment) Act, 1952, as we shall see presently.

The Punjab Tenancy (Amendment) Act (1950) was enacted by the Provincial Governor, since at that time the Provincial Assembly had been abrogated and the Governor's rule was in force under Section 92-A of the Government of India Act, 1935, as adapted for Pakistan. The main provision of this Act was to amend the Act of 1887 with a view to abolishing all cesses, village cesses, and other contributions or dues, or any free personal service imposed by the landlord on his tenants in addition to the rent payable by the latter.¹

The Punjab Tenancy (Amendment) Act (1952) amended the Punjab Tenancy Act, 1887, in greater details. Its main provisions were as follows:

- (a) It fixed the maximum limit for holding of land by a landlord for purposes of self-cultivation. Landlords owning 100 acres or more could not reserve more than 50 acres of irrigated land for personal cultivation. This limit was exclusive of any land (1) under garden cultivation when the Act came into force, and (2) brought under cultivation after lying waste for at least four harvests. For this purpose, 2 acres of unirrigated land, or $1\frac{1}{2}$ acres of semi-irrigated land were to be counted as equal to 1 acre of irrigated land.²
- (b) The Act fixed the landlord's share of the produce at the maximum of 40% of the total produce, 60% going to the tenant. All Government dues were to be paid by the landlord and the tenant in the proportion in which they shared the produce. If a tenant at the time of the enforcement of the Act held any land on more favourable terms, he was to continue to do so.³
- (c) The Act extinguished all rights of occupancy, forbade any further creation of occupancy rights, and specified the ways

1. Sec. 113 added after Sec. 112 of the Act of 1887.

2. Sec. 115.

3. Sec. 2.

in which the land under occupation was to be disposed of. It made occupancy-tenants owners of the land without compensation to the landlords where no rent was paid, and with compensation (twenty times the rent) where partly or wholly cash rents were paid. When the tenant paid a share of the produce, he became owner without compensation of such portion of the land as corresponded to the share of the produce enjoyed by him.¹

The Act repeated the provision of the Punjab Tenancy (Amendment) Act, 1950, regarding the charging of cesses or services, etc., by the landlord from the tenant and declared them offences under the Act.²

The Punjab Protection and Restoration of Tenancy Rights Act, 1950, was necessitated by the larger number of evictions which took place in the Punjab early in 1950 as a reaction to the enactment of the Sind Tenancy Act of 1950. The Punjab landlords feared a similar measure conferring occupancy rights on their old tenants.

This Act placed restrictions on the rights of private owners of agricultural lands to eject their tenants summarily. It set aside, with retrospective effect, all such ejectments. The tenant could be ejected only if he was not cultivating the land according to the specific or customary terms of his tenancy, or did not pay the land rent promptly, or engaged himself in a campaign of advocating non-payment of rent. The last one, however, was excluded from the grounds³ for ejectment by the (Amendment) Act of 1952. The landlord could also eject a tenant if he wished to cultivate the land himself.⁴ The protection granted to tenants, however, did not apply to those working on the land retained by the landlord for personal cultivation under Section 5 of the Punjab Tenancy (Amendment) Act of 1952.⁵ This provision of the Act also did not apply to the case of tenants of evacuee property, or a tenant holding any land under the Provincial or Central Government or under any District Board, Municipal Committee, or Notified Area Committee.⁶

For ejectment of a tenant, a landlord had to apply to the

1. Sec. 5.

3. Act XIII of 1950 Sec., 111.

5. *Ibid.*, Sec. 2.

2. *Ibid*

4. Act VIII of 1952, Sec. 2—A.

6. *Ibid.*, Sec. 3(2).

Revenue Officer concerned, who in turn was required to give notice to a tenant to justify why he should not be ejected from his tenancy. The Revenue Officer, after hearing both parties and making the necessary inquiry, could eject the tenant or cancel the notice.¹

The Punjab Abolition of *Jagirs* Act, 1952, abolished all existing *Jagirs* excepting Military *Jagirs* or *Jaigirs* in favour of any religious or charitable institution created at any time and operative at the time of coming into force of this Act, and forbade the creation of any new *Jagirs*.² The *Jagir*-holders were not entitled to any compensation. It may be noted that a *Jagir* is a title to the land revenue of an estate or to a piece of land.³

All of the above Acts did not achieve the purposes for which they were enacted. So far as the fixing of the share rent is concerned, most of the landlords and tenants preferred to stick to the half-share basis of division. This happened for two reasons. First, many tenants enjoyed certain concessions from the landlord, like a plot of land free of rent for growing fodder or vegetables, provision of funds in case of need, supply of seed or manure. The landlord threatened to withdraw these concessions if the tenant pressed his claim for 60% of the produce. Secondly, under the Act, while the tenant had been given 60% of the share of the produce, he was also required to meet the Government dues like land revenue, water rates, and cesses, etc., in the same proportion. This involved an additional financial burden on the tenant which he did not have to bear under the old arrangement. Moreover, under the Tenancy Act of 1952, as we have already noted, the landlord had to declare a certain portion of his land as *retained* for self-cultivation. The last date for such a declaration was extended again and again. Since the rent limitation did not apply to the land thus declared, the provisions relating to it were never seriously enforced.

As regards the ejectments, they did not take place to the extent in later years as was done in 1950, but they had not been stopped altogether. There were loopholes in the Act which could be taken advantage of by unscrupulous landlords. For instance, cases were

1. Ibid., Sec., 2—B.

2. Act IX of 1952, Sec. 3(1-3).

3. Ibid., Sec. 3(4).

reported where a landlord refused to lift his share from the field or refused to issue a receipt for the share received and applied for the ejectment of the tenant on the basis of non-payment of rent. But such instances were not very common. As regards the extinction of occupancy rights, this was taking place under the Act concerned when the Martial Law was established in October 1958. Similarly, the *Jagirs* were being effectively abolished in the areas covered by the Act concerned. On the whole, the short-run effects of this legislation had been to create tension between the landlord and the tenant. How far these and other measures would have affected agricultural productivity in the long run is difficult to say. The new land reform changed the entire situation, as we shall see.

8 · 9 Tenancy Legislation in the North-West Frontier Province

It has been noted that the Tenancy Act of 1887 also applied to the former North-West Frontier Province at the time of Independence. In 1950, however, a new tenancy law was enacted by the Provincial Assembly, i.e. the Tenancy Act No. XXV of 1950, which was later amended by Act VI of 1952. In addition, another Act, the Protection and Restoration of Tenancy Rights Act of 1951, was also passed. The former Act made two important changes in the tenancy system. (a) It extinguished all rights of occupancy in much the same way as done in the Punjab and in return gave occupancy-tenants the right of ownership in at least a part of their land. (b) It gave every tenant security of tenure for three years, unless the tenancy was for a fixed term or was created by order of competent authority.

As regards the first provision, the Act conferred full proprietary rights on all occupancy-tenants, though on varying terms. Occupancy-tenants who at the commencement of the Act paid no rent, except land revenue, rates and cesses to the landlord, became full owners without payment of any compensation to the landlord. Those who paid rent in cash or kind became owners on payment of compensation. In the case of cash rents, they had to pay ten times (as against twenty times in the Punjab) the annual rent, either to the owner or to the Government treasury, and rights of ownership were then transferred to them. Occupancy-tenants paying a share of their crops to the landlord could apply to the Revenue Officer for partition of their holding according to the share of the crops paid by them to the landlord. They could thus become full owners of the land in proportion to their

own share without paying any compensation to the landlord. The landlord became the owner in proportion to his share of the produce and was free to dispose of his land as he liked.¹

The second major provision of the Act concerned granting of security of tenure for three years. During this period the eviction was allowed only under the following circumstances:

- (a) If the tenant failed to pay his rent when due.
- (b) Removed the produce from the threshing floor before division.
- (c) Used land in a manner which rendered it unfit for the purpose for which he held it.
- (d) Where the rent was payable in kind, failed to cultivate the land in accordance with local customs without sufficient cause.²

A tenant holding land for a fixed term could also be ejected on similar grounds.³

Further, the law provided that the tenant should not be ejected nor his rent raised until he had been compensated for all improvements made in accordance with the Act.⁴ Moreover, he must also be allowed a reasonable time to harvest any uncut or ungathered crop before he was ejected from that part of the land. Another provision limited the rent to the rate or amount paid during the previous agricultural year.⁵

As regards the Protection and Restoration of the Tenancy Rights Act (1951), it provided that a tenant ejected or dispossessed at any time between 1st March, 1949, and the date of the enforcement of the Act might within two months of the latter date, apply for the restoration of his tenancy. In that case possession of the tenancy was to be restored, subject to payment of suitable compensation to the evicted tenant for any standing crop or for having sown any part of the land.

The working of the tenancy laws in North-West Frontier Province did not cause any serious disruption between the landlord and the tenant. This was presumably due to the fact that the Government did not try to give too many rights to the tenants, thus taking away the substance of ownership from the landlords. The tenants were

1. Act IX of 1952, Sec. IV.

2. Sec. 24.

3. Sec. 23.

4. Sec. 40.

5. Sec. VI(2).

protected against ejectment during a defined period, though the period was rather short. As regards the extinction of occupancy rights, this was almost accomplished in accordance with the provisions of the Act with frictions only confined to specific localities.

8 · 10 Tenancy Legislation in Other Areas of West Pakistan

As regards the other regions of West Pakistan, conditions in the former State of Bahawalpur were similar to those of the former Punjab, and in the former Khairpur State and the districts of Baluchistan bordering on Sind were like those prevailing in Sind. No legislative measures protecting the rights of tenants were, however, passed for these areas. The tribal portions of the former Baluchistan have a complicated land tenure system, with kinship considerations entering into the situation. Even the new land reform scheme does not yet apply to these areas.

CHAPTER 9

Land Reform under Martial Law

9 · 1 The Need for More Radical Reforms

The land reforms carried out under the legislation of 1950 and 1952 in the three Provinces of Pakistan still left much to be desired. In the first place, the scope of these measures was rather limited; they did not tackle the most basic problem of land concentration. No doubt, the Punjab law provided for a ceiling of 50 acres for self-cultivation, yet there was no ceiling on ownership which was needed for a more equalitarian society. Even the ceiling on self-cultivation was never actually made effective as we have already noted. The tenants-at-will were given some protection against ejectment, enhancement of rent and imposition of illegal exactions. This protection was greatest in the Punjab and smallest in Sind. But in the actual working of the law, due to the peculiar political, economic and social circumstances, the legal rights granted to the tenants could not be pressed and the exploitation of tenants on the part of landlords continued in varying degrees.

The occupancy-tenants were abolished both in the Punjab and the North-West Frontier Province. In practice, however, they still continued in large areas. *Jagirs* were abolished, but the law had selected certain types of *Jagirs*, leaving others untouched. On the whole, the results of these measures had been to create uncertainty in rural areas regarding the position of the landlord *vis-a-vis* the tenant. There was growing tension and discontent among the various classes of agriculturists. This situation was not conducive to increased agricultural

productivity, and political corruption and social injustice flourished as ever. The grip of the landlord on the political machinery of the country was so strong that no radical measures affecting his interests adversely could pass through the Provincial Legislatures which were the only bodies competent to frame legislation affecting land tenure. Only a change in the centre of political power through a revolution could pave the way for any worthwhile land reforms, and such a revolution occurred in October 1958, resulting in the establishment of the Martial Law regime.

9 · 2 The Land Reform Commission, 1958

Soon after the Revolution in October 1958 the Chief Martial Law Administrator General (now Field-Marshal) Muhammad Ayub Khan, realising the importance of land reforms, appointed a nine-man Commission, with Mr. Akhtar Hussain, Governor of West Pakistan, as its chairman, "to consider problems relating to the ownership and tenancy of agricultural land and to recommend measures for ensuring better production and social justice as well as the security of tenure for those engaged in cultivation." In the words of President Ayub, these reforms are "an absolute necessity for the survival of the system and the values which we cherish and which brought Pakistan into existence as a free State."

The report of the Land Reform Commission was submitted on 20th January, 1959. The Commission described the peculiarities of the land tenure situation in Pakistan as under:¹

- "(i) The extent of the arable agricultural land and prospects of its expansion are limited. Its ownership in many areas is inequitably distributed. There is growing congestion on land, but despite the pressure of population, which has resulted in uneconomic and highly fragmented units of cultivation, development of large estates is very slow and a considerable portion of cultivable land is not being utilised to its fullest capacity.
- "(ii) Access to opportunities is limited; resources of land and man-power are not fully utilised; initiative and enterprise are absent; there is no security for those engaged in production; reward proportionate to effort is absent and hence incentive for greater production is lacking. There is no

1. Report, Land Reform Commission for West Pakistan, 1959, p. 21.

encouragement for capital formation and productive investment in agriculture.

- “(iii) In many areas power is concentrated in the hands of a privileged few, which hampers the free exercise of political rights and stifles the growth of democracy and democratic institution.”

The Commission suggested the following measures as a minimum programme of agrarian reforms to meet the situation:

- “(i) Ceiling on individual ownership, in order to break concentration of landed wealth, to narrow down inequalities of opportunity and to encourage a more intensive land use and productive investment.
- “(ii) Acquisition of the land in excess of the ceiling for redistribution to landless tenants and holders of uneconomic holdings on payment of a fair price, along with an active programme of resettlement of this class on new reclaimed Government land with a view to improving their social and economic status and enlisting their energies for greater production.
- “(iii) Conversion of occupancy-tenancy into full ownership.
- “(iv) Abolition of *Jagirs* and elimination of other adventitious and intermediary interests, in order to simplify the tenure system and to relieve the present crowding of interests in land.
- “(v) Security of tenure of the tenants, fixation of a fair rent, elimination of illegal exactions, compensation for improvement in case of premature disturbance, in order to provide the incentive for a fair return proportionate to effort.
- “(vi) Encouragement of the creation of a strong middle class and laying the foundation for owner-operated farms on holdings of economic size through consolidation of existing holdings, prevention of fragmentation by making holdings below a certain size impartible to the elimination of small indifferently-managed farms.
- “(vii) Expansion of co-operative and strengthening of credit and marketing facilities with a view to increasing production.
- “(viii) Improvement of the conditions of employment of agricultural labourers.”¹

1. Report, op. cit., pp. 22-23.

9 · 3 Decision of Government

The Land Reform Commission's proposals were scrutinised by the President's Cabinet and the President announced his nine-point programme of reforms on Radio Pakistan on the night of 24th January, 1959. According to this programme, ceilings were laid on the holdings at 500 acres of irrigated land or 1,000 acres of unirrigated land with certain exemptions to be noted later. The tenants were to be given the first choice to purchase the resumed land over a period of twenty-five years. The land-owners were to be compensated with interest-bearing bonds redeemable in twenty-five years. *Jagirdari* was to be completely abolished without any compensation. Security of tenure was to be granted to the tenant and splintering of land into uneconomic units was to be prohibited.

9 · 4 Implementation of the Scheme

To implement this programme the Chief Martial Law Administrator of Pakistan promulgated the West Pakistan Land Reforms Regulation No. 64 on 7th February, 1959. This Regulation was later amended to meet certain difficulties which were found during the process of implementation. To implement the provisions of this Regulation the West Pakistan Land Commission was constituted.

Martial Law Regulation No. 64 did not make any provision for the consolidation of holdings, utilisation of proprietary wasteland, provision of credit facilities, upgrading of holdings and regulation of relationship between landlord and tenant. These matters which were also an integral part of the land reform scheme were left to the Provincial Government to tackle.

Now we shall deal with the specific provisions of the land reform schemes and of their implementation. We shall discuss these under the following main heads:

- (i) Adjustment of property rights in land.
- (ii) Regulation of landlord-tenant relations.
- (iii) Creation and maintenance of economic farm units.
- (iv) Other provisions.

9 · 5 Adjustment of Property Rights in Land

The process of adjustment of property rights may be split into the following steps:

- (a) Fixing of ceiling on ownership.
- (b) Disposal of the land thus released.

(c) Fixing of the amount of compensation and the method of its payment.

Land reform measures in various countries have fixed the maximum beyond which ownership is not allowed. In Japan, the ceiling is very low, only $7\frac{1}{2}$ acres (25 acres in the island of Hokkado). This is so because of pressure of population on land and the high productivity of the soil. In India, different States have made different provisions. The maximum allowed is 100-150 acres. In Egypt, with certain exceptions, the maximum is 210 acres. In Burma, the owners are allowed only as much exemption from nationalisation as can be self-cultivated under local conditions. In Pakistan, the First Five-Year Plan, following the recommendations of the Muslim League Land Reforms Committee (1949), proposed 150 acres of average irrigated land and 450 acres of unirrigated or *barani* land with appropriate adjustment in the case of areas which are partially irrigated. The land reform scheme under discussion provides that a person can hold either 500 acres of irrigated land or 1,000 acres of unirrigated land (one acre of irrigated land counting for 2 acres of unirrigated land), or (for present owners only) an area equivalent to 36,000 Produce Index Units.¹

In addition to the land thus allowed, an owner can also retain an orchard not exceeding 150 acres, provided it is in blocks of not less than 10 acres each and is entered in the records as such at least since *rabi* 1956-57. Moreover, if he has not already transferred any land by gift, he can in addition alienate, by gift, land to the value of 18,000 Produce Index Units to his heirs. In addition to these concessions he can also apply for giving land to his female dependants of the value of 6,000 P.I. Units. Owners of existing stud and livestock farms are allowed to retain such additional areas as the Government may consider necessary.

Some people in the country have felt that the ceiling recommended by the Commission and adopted by the Government is too high and will not solve the problem of land concentration on the one hand and the land hunger among the people on the other. In fact, one of the

1. Produce Index Units are measured in terms of the comparative productivity of an area, and expressed for the purpose of schemes relating to the resettlement of displaced persons. For the method according to which such units have been worked out for most classes of land, see Malik Khuda Bakhsh, *Land Reforms in West Pakistan*, Volume I, Appendix XIII.

members of the Commission favoured the adoption of 150 acres of irrigated land as the highest limit to an individual and 300 acres to a family, a perennially irrigated acre being taken as equal to $1\frac{1}{2}$ acres of non-perennial or three acres of *barani* land. The idea of putting a ceiling on the family holding (a family being defined as consisting of husband, wife and dependent children) should have received more consideration on the part of the majority of the Commission than it actually did. This would have avoided concentration of land in families through a nominal sub-division among the various members. The majority of the Commission were, however, influenced by two considerations in suggesting the higher limit: firstly, to make the transition easier through avoiding too abrupt a break with the past for the landlords, and, secondly, that farming should remain sufficiently remunerative to attract and engage suitable talent on a wholetime basis. But convenience of transition should not receive priority over the fundamental consideration of creating a more equalitarian society. Further, a farm of 150 irrigated acres is quite a suitable unit to tax fully the talent of the best farmer. In fact, that would have encouraged more self-cultivation and progressive cultivation on the part of landlords anxious to maintain their existing living standards. At any rate, the putting up of a ceiling is an achievement in itself as compared with the unlimited right to own land as it previously existed.

Now as regards the implementation of this aspect of land reforms. The Land Commission issued a comprehensive notice, dated 10th February, 1959, desiring every person, who owned or possessed an area in excess of 500 acres, to submit a declaration on prescribed forms regarding the details of his land. In all 5,904 declarations were filed in response to this notification. The largest number came from Hyderabad Division (1,478) and the smallest number from Lahore Division (107). Among the districts, the largest number came from Tharparkar (448) and the smallest from Jhelum (only 2).

Out of the area of 7,749,085 acres declared by the declarants an area of 4,794,872 acres was retained by them. The largest area retained was in Hyderabad Division (1,170,403 acres) and the smallest in Lahore Division (75,966 acres). Out of the total area declared 2,347,648 acres were resumed by the Government, the largest being in Bahawalpur Division (675,282 acres) and smallest in Lahore Division (11,432 acres). Additional area retained by the existing owners under

"orchards" came to 8,335 acres and an area equal to 465,348 acres was transferred by gift.¹ The total cultivated area of the Province of West Pakistan comes to 39.3 million acres. Of this total, the area declared (7.75 million acres) comes to about 20% and the area resumed (being 2.35 million acres) comes to nearly 6%.

Of the 2.35 million acres resumed by the Government, only 700,000 acres are cultivated, the remaining 1.6 million acres are uncultivated land. Of the uncultivated land 1.2 million acres are culturable waste and the remaining 400,000 acres are not culturable. Of the cultivated area about 545,000 acres were in the possession of tenants and about 128,000 acres were cultivated by the owners, while 27,000 acres were under forests.²

9.6 Disposal of Resumed Lands

One of the basic purposes of land reform is to increase the number of self-cultivating owners. Under the Martial Law Regulation the resumed land has in the first instance to be offered on suitable terms and conditions for sale to tenants already in cultivating possession of it. If any land remains after that it will be allotted to landless labourers or used to supplement the uneconomic holdings of peasant-proprietors in return, of course for a price. Under the guidance of the Land Commission a comprehensive scale scheme was prepared for the guidance of the implementing staff. The price to be charged from the tenants was fixed at Rs. 8.00 per Produce Index Unit. This, in the words of the Secretary, Land Commission, "would mean that for an acre of best land in Lyallpur with Produce Index Unit of 80, a tenant shall have to pay a price of Rs. 640 per acre which, in the present context of prices of agricultural land, is in no way high or beyond the capacity of tenants."³ The price fixed, however, is much higher than in other countries which have carried out land reforms on similar lines, but in view of the high prices of agricultural commodities and the prevailing market price of agricultural land the tenant would not find it too hard to pay it. This is particularly so since the recovery of the price is to be made over a period of twenty-five years in easy instalments.

1. *Land Reforms in West Pakistan*, op. cit., Table, pp. 326-31.

2. *Second Five-Year Plan*, p. 185.

3. "Land Reforms in West Pakistan," article by Malik Khuda Bakhsh in *The Pakistan Times*, Independence Supplement, 14 August, 1960, p. 9.

Of the resumed land 334,912 acres were sold to 55,900 tenants for a total price of Rs. 85,428,447. A further area of 210,112 acres was sold to 41,057 tenants for Rs. 28,658,826 under the upgrading scheme and 23,283 acres to 3,237 small holders for Rs. 3,093,408 under the same scheme. Again, 9,133,130 acres were sold by public auction for Rs. 24,384,529. An area of 124,168 acres was sold at a total price of Rs. 6,248,067¹ to Government departments.

9.7 Compensation to Old Owners

The Land Reform Commission accepted the principle that compensation must be paid to the landlords for the acquisition of land above the ceiling. Private rights in land must be respected as private rights in other assets and the faith of the nation in this institution must be preserved. Moreover, payment of compensation was justified on the practical consideration of making the implementation of land reforms smooth and orderly. The Commission recommended that the compensation should be paid on a progressively diminishing scale as under:

For the first 18,000 Produce Index Units at Rs. 5 per unit.

For the next 24,000 Produce Index Units at Rs. 4 per unit.

For the next 36,000 Produce Index Units at Rs. 3 per unit.

For the next 72,000 Produce Index Units at Rs. 2 per unit.

For the balance at Re. 1 per unit.

After the compensation was calculated on the above basis it was to be paid in fifty half-yearly equated instalments in the form of transferable, but non-negotiable, bonds bearing interest at 4% per annum on the unpaid balance. The rate of compensation was determined in the light of the inflationary danger, the financing capacity of the Government, the need of both the expropriated landlords for ready cash and the capacity of the new proprietors to pay for land.² It will be seen that while maximum compensation to be paid was only Rs. 5 per Produce Index Unit, the price charged for land was at the rate of Rs. 8 per Produce Index Unit. The difference between these two prices was to be used to meet the cost of the Land Reform scheme. The scheme was thus expected to be self-liquidating.

The total number of land-owner from whom land was resumed

1. Statistics made available through the courtesy of the Revenue Department, Government of Pakistan in 1965.

2. *The Second Five-Year Plan*. op. cit., p. 185.

came to 616. To them Rs. 92,545,794 were to be paid as compensation for a total of 28,757,209 Produce Index Units. The interest payable annually to landlords was estimated at Rs. 3,757,073.¹

9 · 8 Regulation of Landlord-Tenant Relation

The Tenancy Acts of 1950-52 in the former Provinces of Sind, Punjab and North-West Frontier, as we have already seen, were passed with a view to ensuring adequate security of tenure to the tenants, abolishing illegal charges levied on them by the landlords and prescribing the proportion of produce to be paid as rent and the sharing of taxation by the parties. We have already discussed how these provisions failed to achieve these objectives adequately. After the integration of these provinces into one unit in 1955 the need arose for having a uniform tenancy legislation. The First Five-Year Plan proposed that various tenancy laws in force in West Pakistan should be consolidated.

Like the earlier legislation, the Martial Law land reforms scheme made provisions regarding both the occupancy and non-occupancy-tenants. In case of occupancy-tenants it was recommended by the Land Reform Commission that they should be made owners of the lands held by them. In fact, on the basis of the legislation of 1950-52 in the North-West Frontier Province and the Punjab, most of the occupancy-tenants had become owners. Now, all occupancy-tenants would become owners on payment where they are paying a rent, and without payment where no rent is being paid by them to the landlord. Apart from simplifying land tenure, this would give considerable area to the actual tillers of the soil. As regards the non-occupancy-tenants the Land Reform Commission stated that such a tenancy would remain a "dominant feature of the tenure structure of the country," in spite of the creation of new peasant-proprietors. In order to afford such tenants protection the Commission recommended as follows:

- (i) No tenant should be ejected unless it is established in a Revenue Court that he has
 - (a) failed to pay rent; or
 - (b) used the land in a manner which renders it unfit for the purpose for which he held it; or
 - (c) failed to cultivate the land without sufficient reasons; or
 - (d) sublet his tenancy.

1. *Source of Statistics:* Revenue Department, Government of West Pakistan.

- (ii) The right of ejectment on the basis of *khud-kasht* where it exists should be withdrawn.
- (iii) A tenant should not be ejected from the house provided by the landlord so long as he continues to be a tenant of any part of the land under that landlord.
- (iv) In case of ejectment the tenant should be entitled to get compensation for "improvement" and "disturbance."

The Commission further recommended that the existing basis on which the produce of land and Government dues are apportioned between the landlord and the tenant under the law or custom prevailing in the locality should continue. The landlord should be debarred from increasing the rent of the tenant's share of Government dues, if any, unless he can establish that he is entitled to a higher rent, on account of change in the complexion of the tenancy due to the introduction of irrigation, or change in the burden of taxation, etc. Similarly, the tenant should also have the right to obtain reduction in rent if warranted on account of change in the burden of taxation. Moreover, the landlord should not be allowed to levy any cess in excess of the rent or take free labour in any shape or form from the tenant.

The President's Cabinet accepted the recommendation of the Commission with the modification that security of tenure should not be given to the tenants of any land or part of a land situated within the jurisdiction of a municipality or corporation or cantonment or improvement trust if it is established in a Revenue Court that such land is included in a house-building scheme prepared and approved by any such body.

The Provincial Governments have prepared a comprehensive Ordinance on the above lines which is under scrutiny of the Legislative Sub-Committee of the Advisory Council. Paragraph No. 26 of Martial Law Regulation No. 64, however, contains requisite provisions for ensuring security of tenure to tenants till the new law is enacted. As interpreted by the Land Commission, this paragraph does not apply only to tenants of land-owners whose lands are being resumed but also affords protection to all tenants.

Under the new land reforms, as already noted, the land-owners, even if they wish to cultivate the land themselves, will not be entitled to eject the tenants. "This situation," in the words of the Second Five-

Year Plan, "may create difficulty to owners intending to settle on land after retirement from civil or military service or other non-agricultural occupations and may discourage educated persons from settling in the rural areas, and so deprive these areas of a more enlightened leadership."¹ The Land Commission has, however, given attention to it and has recommended that any military personnel should, on release from service, be free to eject tenants after proper notice, in order to be able to cultivate the land by themselves. This concession needs to be extended to non-military land-owners provided they genuinely wish to adopt self-cultivation.

9 · 9 The Concept of Economic Holding

Now, we come to the problem of the size of the farm. To start with, it is necessary to have a clear idea of what is an economic size of the farm or an economic holding.

Although ultimately it expresses itself in terms of area, an "economic holding," basically speaking, is not an area concept. Moreover, there are more than one approaches to this concept according as we assume one or another factor of a given fixed magnitude, or, in the economic terminology, "indivisible." If land is plentiful, and thus can be had on easy terms, the indivisible factor may be the equipment or labour unit (family, for instance) which is to be combined with land. An economic holding would then be an area of land which would employ the given equipment or the given family labour force to the best advantage. If land is the fixed factor, which cannot be increased, equipment used must be of a kind and amount which would give best results when combined with the given piece of land. But there is a certain minimum below which even the most primitive equipment cannot be reduced. The result will be an uneconomic holding if the area is too small. If an average rural family is the indivisible factor, land and equipment must be adjusted to its labour and financial resources. Again, paucity of land may create an uneconomic unit.

We may roughly say that when we are thinking in terms of minimum land units, the economic holding must be conceived of in terms of an area which would give a reasonable standard of living to an average rural family. This might also be called a "subsistence

1. *Second Five-Year Plan*, p. 187.

holding." This concept is useful when taking measures to forbid subdivision of holdings below a specified limit. It is obvious, however, that this minimum would vary with the type of the soil, irrigation facilities, crop rotations, marketing facilities, prices of the farm products as against prices of the goods purchased by farm families. It will vary over space as well as over time. No mathematical decisions are possible and only rough estimations can be made at a particular point of time and geographical location.

When we are thinking in terms of maxima (for instance, while fixing ceilings to ownerships), it is convenient to visualise the economic holding as an area which could *be best exploited* with the use of the *most up-to date techniques* of production available in the country. Thus an economic holding in this latter sense may be 150 acres where mechanical methods are used, or even 1,000 acres where fruit gardens are to be planted. When cultivation is by conventional methods, we may fix 5 to 25 acres of irrigated land as an economic holding according to local conditions as defined above. For rice land 5 acres may be enough, and for *barani* areas 75 acres may be hardly adequate.

In the definition of the desirable size of the holding the approach of the Land Reform Commission has been rather pragmatic. They have offered two concepts in this connection, i.e. subsistence holding and economic holding. On the assumption that money income of a family of four adult consumption units should be about Rs. 1,200 per annum, they have come to the conclusion that "16 acres of land in the Khairpur and Hyderabad Divisions and half a rectangle or half a square or $12\frac{1}{2}$ acres of land, whichever is more, elsewhere will, if properly managed and intensively cultivated, yield such an income."¹ The Commission propose that this unit of area may be regarded as the subsistence holding. They think that this unit will also ideally suit the scale of operation as a single plough unit, as one plough cannot efficiently manage a larger area.

In addition to this they propose the concept of an economic holding in order to encourage the creation of a strong middle class and to lay the foundation for owner-operated farms of a more progressive kind. The economic holding is visualised as four times the size of the subsistence holding. The Commission, therefore, proposed that

1. Report, Land Reform Commission, p. 66.

“an area of 64 acres in the Khairpur and Hyderabad Divisions and an area of 2 squares or two rectangles or 50 acres, whichever is more” in other divisions should be regarded as an economic holding.”

9 · 10 Maintenance of Economic and Subsistence Holdings

Positive steps are suggested by the Commission to maintain the existing subsistence and economic holdings and to bring into existence subsistence and economic holdings as defined above out of the prevailing scattered holdings.

It would be noted that in the light of the above definitions, holdings in a village could be of one of the following five categories:

- (1) Holdings having an area more than an economic holding.
- (2) Holdings having an area of an economic holding.
- (3) Holdings having an area of less than an economic holding but more than the area of a subsistence holding.
- (4) Holdings having an area of a subsistence holding.
- (5) Holdings having an area of less than a subsistence holding.

The land reform scheme provides as follows regarding each of the above categories of holdings:

- (i) A joint holding comprising an area more than an economic holding cannot be partitioned if the effect of the partition is to reduce the size of any part of it to less than an economic holding.
- (ii) A joint holding having an area equal to an economic holding cannot be partitioned under any circumstance.
- (iii) A holding smaller than the size of an economic holding and greater than the size of a subsistence holding cannot be partitioned if the share of any one of the co-sharers in the joint holding taken together with the other area possessed by him would still be less than the area of a subsistence holding.
- (iv) A holding equal in area to a subsistence holding cannot be partitioned under any circumstance.
- (v) A co-sharer whose share in a joint holding is less than an economic holding, but when added to his other lands in the same village becomes equal to or greater than an economic holding, can get his share by getting the joint holding partitioned.

- (vi) A co-sharer whose share in a joint holding comes up to the size of a subsistence holding can get his share through partitioning the joint holding.
- (vii) A co-sharer whose share in a joint holding is less than a subsistence holding can get the joint holding partitioned if his share added to the land already possessed by him in the same village will make his holding either equal to or greater than the subsistence holding.
- (viii) If in a joint holding having an area more than that of an economic holding, the individual share of each of the joint owners at least equals the subsistence holding, it can be partitioned.
- (ix) If a holding is larger than a subsistence holding, but when partitioned the share of any of the co-sharers taken together with any other area possessed by him in the village comes to less than the area of his subsistence holding, the partition of such a holding is not allowed.
- (x) Partition of joint holdings of evacuee or non-evacuee areas which is allowed under the rehabilitation and resettlement scheme is not subject to above restrictions.
- (xi) Restrictions on the partition of joint holdings do not apply to the partition of the small strips of land which are bonafidely required for building purposes.
- (xii) A joint holding larger than a subsistence holding but smaller than an economic holding cannot be partitioned if the partitioning has the effect of dividing the holding into such parts that the area of any part, when added to the area already owned by an individual co-sharer to whom that part will go as the result of partition, makes up a total which is less than the area of a subsistence holding.

9 · 11 Management of Impartible Holdings

Now the question arises: if a holding is declared impartible, how could it be managed for the benefit of all the co-sharers? The Land Reform Commission has recommended that impartible joint holdings should continue to be managed as single units. In case of a dispute regarding management, the following alternatives have been suggested by the Commission:

- (i) They should select a person who will manage the land on

their behalf and from whom they will receive their share of income. If they fail to agree among themselves on the selection of such a person, the selection will be made by drawing of lots.

- (ii) The co-sharers should fix the value of land and select a person who will own the land after payment to other co-sharers of its proportionate monetary value. The Government may in deserving cases provide *taccavi* loans for this purpose.
- (iii) If no arrangement is arrived at under the first two alternatives, the Commission will acquire the holdings on payment of reasonable compensations.

These recommendations were accepted by the President's Cabinet and incorporated as Paragraph 24 in the Regulation. According to this paragraph, in the event of a dispute regarding the management of any holdings as aforesaid:

- (a) the co-sharers may select one of themselves, by drawing up lots or otherwise, who will manage the holding on their behalf, and from whom they will receive their share of income, or
- (b) if the co-sharers cannot select, they may request the Collector of the district in which such holding is situated to nominate one of the co-sharers to manage as aforesaid.

If, in the opinion of the Commission, no arrangement of joint management between the co-sharers is permissible, the Commission may acquire the holding on the payment of such compensation as may be determined in the prescribed manner.

In the words of the Secretary, Provincial Land Commission, "no such cases have yet occurred which would have necessitated the application of the above provision. A scheme has, however, been prepared for consideration of the Commission."¹

9 · 12 Restrictions on Alienations

Another method of preventing sub-division of holdings has been through putting restrictions on alienations. Restrictions on the right of alienation of land-owners were suggested by the Land Reform Commission and were later incorporated in Paragraph 25 of the

1. *Land Reform in West Pakistan*, op, cit., p. 169.

Martial Law Regulation. Some of these created some misunderstanding and were reviewed by the Land Commission. The position as it has emerged finally is given below:

- (i) An owner of a holding with an area of more than an economic holding can alienate his entire area or a part thereof provided the area he retains with him is not less than an economic holding.
- (ii) An owner of an economic holding can alienate his entire holding but not a part of it only.
- (iii) An owner of a holding larger than a subsistence holding but smaller than an economic holding can alienate his entire holding or a part of it provided the area retained by him does not fall short of a subsistence holding.
- (iv) An owner of a subsistence holding cannot alienate a part of it though he can alienate the entire holding.
- (v) An owner of a holding with an area less than a subsistence holding may alienate his entire holding to any person; but if he wishes to alienate only a part of it, he must do so to other owners of the same village, *deh* or *mauza*.
- (vi) Alienation of land whether cultivable or not, which is required *bona fide* for building purposes, is not subject to restrictions.
- (vii) A land-owner retaining 36,000 P.I. Units of land cannot, after selling a portion of it, purchase an equivalent area so as to make up 36,000 P.I. Units of land. He can retain the limits of the area prescribed in Paragraph 8 of the Regulation (i.e. 500 acres of irrigated and 1,000 acres of un-irrigated land, etc.).
- (viii) A land-owner who has been allowed to retain 36,000 P.I. Units of land can exchange land with another owner and still retain 36,000 P.I. Units of land.

9 · 13 Provisions regarding Inheritance

Similar provisions are made with respect to inheritance with the same end in view. There is no restriction on the sanctioning of mutations of inheritance, which are to be sanctioned in accordance with the law of succession and the manner prescribed in this behalf. In respect of cases of fresh inheritance, however, the following

provisions have been made:

- “(i) The entire area owned or held by any heir as well as the area which falls to his share as a result of inheritance should be considered the property of that heir. He should be allowed to select the area out of the total holding, but he cannot hold more than 500 acres.
- “(ii) If the heir is holding less than the maximum permissible limit, then he can select the area of the permissible limit from the area held and owned by him and the area obtained as a result of inheritance.
- “(iii) No heir can decline to accept the area which falls to his share in order to enable the other co-sharers to have larger areas.
- “(iv) No heir can relinquish or transfer his share to other co-sharers or to other persons with a view to escaping the provisions of the Regulation.
- “(v) An heir who receives 18,000 P.I. Units of land as a result of gift under Paragraph 9(f) of the Regulation can get 500 acres or 1,000 acres of land, and not 36,000 P.I. Units out of the area gifted to him as well as the area falling to his share as a result of the death of his ancestor.”¹

9·14 Other Provisions of the Scheme

Other provisions of the land reform scheme relate to: (a) abolition of *Jagirs*, (b) consolidation of holdings, (c) land utilisations and (d) credit facilities for tenant-owners.

(a) An earlier Punjab Act, as we have seen, had abolished *Jagirs* with some exceptions. The Martial Law Regulation abolishes all *Jagirs* without any exception in the West Pakistan Province. Where the financial assistance provided by a *Jagir* was considered necessary this has been provided otherwise. As a result of this step a sum of Rs. 32 lakhs has become a regular additional source of income to the Provincial Exchequer. The total land under *Jagirs* was 924,153 acres of which an area of 332,607 acres has been resumed. Of this area, 53,398 acres have been sold to tenants in cultivating possession for a sum of Rs. 9,754,158. Further, all intermediary interests like *a'la maliks*

1. Secretary, Land Commission's Article: "Land Reform," *Pakistan Times* 14th August, 1960.

have been abolished without compensation and *adna maliks* have been made full proprietors of the land held by them.

(b) Consolidation of holdings was started in the Punjab about forty years ago, but the pace was very slow which would have taken generations to accomplish the job. Following the recommendations of the Land Reform Commission a comprehensive law in the shape of Consolidation of Holdings Ordinance, 1960, was promulgated by the Governor and a very ambitious scheme is under implementation. Originally it was intended that 29,848,214 acres would be consolidated within five to seven years involving a total expenditure of Rs. 8.9 crores. The annual target was fixed at 4,264,000 acres. Later the scheme was extended to a period of ten years and the annual target was reduced to 2,132,015 acres. Consolidation was now to be introduced only where the majority of land-owners desired it. Previously the Deputy Commissioner could take action without any restriction.

In spite of initial difficulties, by the end of May 1964, 6,758,502 acres had been consolidated in West Pakistan, covering 5,082 estates. The plots held by land-owners before consolidation which were as many as 1,791,801 were reduced to 714,598 in number. The cost of consolidation is recoverable from land-owners up to a maximum of Rs. 5 per cultivated acre. By May 1964, a total of Rs. 14,961,133 had already been recovered.

(c) Large areas of proprietary waste arable land had remained uncultivated in the Province on account of the lack of means or interest on the part of their owners. The Punjab Land Utilisation Act, 1954, had provided that land remaining uncultivated for four harvests could be taken over by the Government for a period of ten years leased to tenants for cultivation. In the former province of Sind land remaining uncultivated for five years could be taken over by the Government under "Fallow Rules" and leased out. These regulations, however, were not properly enforced. Following the recommendations of the Land Reform Commission, a Land Utilisation Ordinance was adopted in West Pakistan in August 1959. Under this Ordinance land which remains uncultivated for a period of two years or more can be requisitioned by the Government for management and utilisation on approved lines, after due notice has been given to the owner to bring it under cultivation.

About 128,000 acres of land which was under cultivation by

the landlords has been leased out by the Land Commission on the basis of tenders for one harvest only. A definite policy for the future has yet to be determined. In order to make the best use of land resources, it will be necessary to devise a comprehensive programme of land use for various purposes, such as the extension of the adjacent holdings of new and old owners, or transferred to former tenants of land which the landlord may retain for cultivation in place of surrendered land, or alienation to the landless.

(d) Soon after the announcement of land reforms the Central Government appointed a Credit Inquiry Commission charging it with the responsibility of going into the question of affording credit facilities to the new owners created under the scheme. Following the recommendations of this Commission a sum of Rs. 3 crores was placed at the disposal of the Provincial Government to be advanced as *taccavi* loans. This was considered necessary because otherwise the newly emerging owners might not be able to get the full benefit of their property rights in land. They were now to stand on their own feet financially without expecting any help from their previous landlords. In the words of the West Pakistan Land Reform Commission: "A small farmer without money or credit resources, even though he may be an owner, is almost as insecure on the land as the tenant."¹ The demand for *taccavi* loans, however, did not prove to be as large as was anticipated. The Provincial Government has been providing a sum of Rs. 15 lakhs a year for this purpose during the last few years.

9 · 15 Impact on Economy and Country

The land reforms introduced by the Martial Law regime were expected to have far-reaching political, social and economic effects upon the country. Before we end this chapter it is necessary to touch upon them.

(a) *Political effects.* So far as the political effects are concerned, through the promotion of a more equalitarian society in the rural areas, land reforms should be conducive to greater political stability and a more effective democratic order. Positively speaking, the middle income group should be strengthened who through better educational facilities availed by them should make possible a real democratic system to emerge

1. Report, op. cit., p. 70.

in the political sphere. Such people are likely to be more conscious of their rights and duties and should be more appreciative of a good government interested in their welfare. They should be able to use their votes more intelligently and effectively. Negatively speaking, the old dominant feudal class should have disappeared, who on the basis of economic power and social prestige were able to command the votes of the small fry in the rural society to acquire and consolidate their own political power, which was used in the preservation of their privileges and positions. An owner of 500 acres of land was not expected to be much of an overpowering factor in the village society, particularly when the common man in the rural area was fortified by the new democratic institutions set up by the Martial Law regime.

(b) *Social effects.* With the reduction of political and economic power of the landlord class their social prestige stemming from sources other than individual merit should decline and along with it their power to exploit large sections of the people. On the other hand, the middle income group should increase in number and such elements should be socially more mobile, independent and progressive. They should be in a better position to take advantage of education and health facilities provided by the Government. The economic conditions of the average cultivator should improve and result in the improvement of his social status. On the other hand, the very large landlords and their dependants should lose their traditional social snobbery and should divert their energies more and more towards productive activities in order to ensure for themselves the high material standards to which they have got used and which their smaller estates were not likely to provide without work. Such productive activities, apart from their economic consequences to be considered presently, were expected to conduce to a healthier social environment and reduce the scope for anti-social activities.

(c) *Economic effects.* The most far-reaching effects were expected to be economic, in the form of greater agricultural production and stimulation of investment in the field of industry through diversion of surplus savings in the agricultural sector to the industrial sector. The increase in agricultural production was expected to result from the following factors:

(i) Increase in the area under cultivation.

(ii) Better agricultural organisation resulting in the possibilities

of the use of better techniques.

(iii) Through imparting greater incentives for work and investment to the agricultural workers and investors.

(i) The area under cultivation was to increase firstly because much of the land which had been neglected by the large landlords due to their having very large estates, ensuring them a good living, would be brought under cultivation. This could be done either by the landlords themselves or by the newly-created peasant-proprietors among whom the resumed land was to be distributed, or it would be acquired by the Government under the Land Utilisation Ordinance, to be leased out for cultivation. Moreover, as consolidation of holdings took place an appreciable area would be brought under the plough, which before consolidation was wasted under boundaries of small plots.

(ii) Better agricultural organisation was to result from consolidation of holdings, encouragement of co-operative farming among the holders of uneconomic agricultural units, simplification of the land tenure system through abolition of *Jagirs*, *a'la maliks* and occupancy-tenants, and provision of better credit facilities, which was an essential part of the land reform scheme. The prospects of better marketing were also expected to improve as the agriculturist felt secure as the occupant of his holding as a tenant or peasant-proprietor. There was to be a better chance of successful operation of extension services of the Government when the extension staff had to deal with secure and middle-class type of agriculturists whose number would increase under the land reforms.

(iii) The third factor which was expected to increase production was greater incentive afforded to agricultural workers and investors. The tenant, the peasant-proprietor, and the landlord—all were expected to have greater incentives for work and investment in agriculture. The tenant would have greater security of tenure, fixation of rents and freedom from the various oppressions to which he was subject under the pre-reform system. The peasant-proprietor would work under the influence of the magic of private property and would put forth his best both in labour and materials in order to increase his income to the optimum level. The landlord was expected to run his moderate farm on business lines if he wished to maintain the economic and social standards to which he had got used for generations.

basis.

Apart from the economic effects on the agricultural sector, land reforms were expected to lead also to the development of the non-agricultural sectors; particularly it could stimulate investment in industry. With a ceiling on the ownership of land, the landlord class could not use their extra funds to increase their landed property as had been the tendency hitherto. They could, of course, invest more in agriculture and if there were still funds available for investment, they might spill over into the industrial sector, thus promoting industrialisation. Industrialisation could be promoted in another way too. As the size of the middle income group in the rural areas increased, the market for industrial products would expand, thus giving further scope for industrial expansion, which in its turn would further stimulate agricultural progress.

These were the expectations of those who favoured the land reforms. How far they have been realised? To know this conclusively, an impartial survey is needed in the affected areas. So far no scientific survey has been conducted to assess the social, political and economic effects of these reforms.

CHAPTER 10

Agricultural Marketing

10 · 1 Importance of Marketing

In a self-sufficient village economy, as it prevailed in the areas now constituting Pakistan a hundred years ago, the problem of marketing was not so important as it is to-day. Then, all that was produced was consumed within the village or in the immediate neighbourhood. Now the produce of the village finds consumers in distant places, not only within the country itself, but also in the outside world. With the sale proceeds of the surplus of the village—of food-grains, cotton, jute, sugarcane, oil-seeds, etc.—are purchased goods produced in distant parts of the country and the world. Even now most of the food requirements of the village are met from within. The surplus available, however, is greater in the case of non-food or commercial crops like cotton and jute. These are converted into money, if not for other purposes, at least to make land revenue payment to the Government.

The economic position of the peasant thus does not merely depend upon the total amount of production that he can secure from his land, but also on the money value of the surplus that he has to sell in the market. He has little control over the prices which prevail, because they are determined by the broad factors of supply and demand operating in the country and in many cases in the world at large. His costs of production also may be regarded as more or less fixed. Even then his sale proceeds can be increased by better handli-

ing of the produce and reducing to the minimum the portion going to the various intermediaries between him and the ultimate consumer of his products. This can be done by saving him from the consequences of the various handicaps from which the farmer suffers either because of the inherent character of agriculture as a profession or from the peculiar circumstances under which he works in Pakistan. Agriculturists in all countries are handicapped in certain respects. The seasonal and scattered character of their operations, the great role that Nature plays in making it a success, the inelasticity of demand for agricultural products, raise many difficulties of organisation and make adjustments between supply and demand uncertain. In addition to these, our peasant is handicapped by his illiteracy, ignorance, conservatism, small unit of cultivation, lack of proper financial aid, defective means of communication and transport and a host of other individual and social disabilities. In this chapter we shall study the nature of some of the important handicaps from which our agriculturist suffers as a seller of his produce and then take note of the various remedies either suggested from time to time or actually adopted to improve his position. To quote the Royal Agricultural Commission, "until he (the peasant) realises that, as a seller of produce, he must study the art of sale, either as an individual or through combination with other producers, it is inevitable that he should come off second best in his contest with the highly specialised knowledge and the vastly superior resources of those who purchase his produce."¹

10 · 2 Essentials of Good Marketing

In order that the produce may be sold to the best advantage of the producer, several conditions must be present. In the first place, the quality of the produce should be good. Agricultural commodities cannot be produced in a standardised form as manufactures can be. But quality can be ensured to some extent by using the best available seed; by adopting efficient and clean methods of cultivating and harvesting; by grading and standardising the product, and by storing it in good storage places to prevent deterioration. This is the first essential of good marketing. If products of good and bad qualities are mixed, as has been the case in Pakistan, the reputation of the whole produce

1. Report, Royal Commission on Agriculture in India, p. 338.

suffers and price obtained is of the standard of the worse rather than of the better quality.

The second essential of good marketing is the staying power of the seller. If he is hard pressed to sell all his produce immediately after the harvest, the selling pressure will depress prices for all the agriculturists and will reduce their sale proceeds. It is necessary, therefore, that either the peasant should have enough reserve of his own to meet his requirements—of land revenue and other immediate payments due from him—or arrangements should exist for him to get money on credit at reasonable rates of interest. If the getting of credit throws him into the clutches of a rapacious money-lender, the remedy may be worse than the disease.

The third essential of good marketing is the existence of good means of communication and transport. The cultivator-seller should be in touch with the movements of prices in the markets to enable him to take advantage of favourable prices. The villager should have convenient access to the market. The roads should be well planned and well kept or there may be waterway facilities. If the transport facilities are absent, the peasant would prefer selling to itinerant purchasers or the village shopkeepers, instead of carting his produce to the market for better returns.

Finally, there should be well-conducted markets at convenient distances from the producing villages. It is necessary that these markets should be properly regulated and be under impartial supervision and control. If the market practices are arbitrary, the cultivator will lose confidence in them and would prefer to sell his produce in his own village on comparatively unfavourable terms.¹ Proper access to markets also implies the absence of transit charges like octroi, terminal taxes, etc., which serve as discouragements to the cultivator-seller. Marketing in Pakistan lacks almost all these essentials in varying degrees.

10 · 3 Produce Sold in the Village

It is difficult to say what proportion of the total produce, on

1. "It has, we think, been established that when the cultivator is in a position to dispose of his produce in a market, however limited its scope and badly organised its character, he obtains a much better price for it, when the cost of transport is taken into account than when he disposes it of in his own village" (Agricultural Commission Report, op. cit., p. 388).

the average, is sold by the cultivator and what is kept for his household requirements. Obviously, the proportion will differ in different localities and with different agriculturists according to their economic strength and the nature of the commodity concerned. The "surplus" sold will be greater in the case of commercial crops than food crops. More prosperous cultivators may sell a larger proportion of their total produce in the end, though they sell a small proportion of their total surplus at harvest time on account of their greater power to wait. In pre-Partition Bengal, it was estimated that normally 54% of the total rice crop was retained by the producer and 46% was sold.¹ The average cultivator, one may say, produces mostly for his family needs and sells only what is necessary to meet his monetary obligations to the Government and the money-lender and for sundry household expenses. Even in a prosperous district like Lyallpur, "23·9% of the cultivators make no sales."²

There is, however, no definite information as to the proportion of the produce sold in the village and that taken to the market by the cultivator. One investigator³ estimated that in pre-Partition Punjab 60% of wheat, 35% of cotton and 70% of oil-seeds were sold in the villages or village markets. In Bengal, before Partition, 58% of oil-seeds and 90% of jute were sold in the villages. "The proportion of produce sold in the markets diminishes, as cultivators are debt-ridden or carry on subsistence farming in tiny holdings. In Attock District of the Punjab 93·6% of the cultivators dispose of their surplus wheat to local *banias* who happen to be their *sahukars* (money-lenders) also."⁴ The proportion of produce sold in the outside market also diminishes where the means of communication and transport are not adequately developed.

The produce sold in the village (apart from the portion that is directly sold to non-agriculturist consumers living in the same village) is sold to various kinds of middlemen through whom it ultimately reaches the larger markets and distant consuming centres.

In pre-Partition days, these middlemen were mostly village *banias* or money-lenders, who in most cases were village shop-

1. *Marketing of Rice in India and Burma*, p. 492.

2. Mukerjee, *Economic Problems of Modern India*, Vol. I, p. 299.

3. Hussain, *Marketing of Agricultural Produce in Northern India*, p. 96.

4. Mukerjee, *op. cit.*, Vol. I, p. 299.

keepers. In addition, there were various itinerant¹ purchasers, the *beoparis*. The *bania* has gone but the *beoparis* are still active and the old system has not changed substantially. The Agricultural Enquiry Committee (1951-52) still refers to the "general complaints among the agriculturists that too large a share of the market value of the produce which they grow goes to middleman," and regards such complaints as "justified."² Where the middleman is also the money-lender (this was more frequently the case before Partition), the peasant-seller is still more at a disadvantage because he cannot dispose of his produce as he likes. The debtor usually has to sell to his creditor on the latter's terms. In any case when the produce is sold in the village, as the Royal Agricultural Commission pointed out thirty years ago, the cultivator obtains much less favourable terms than he does if he carts it to the market, however badly organised the latter might be.

Thus it is necessary to create conditions in the country which should facilitate the process of marketing in well-organised market.

10 · 4 Defects of the Present System

The main defects in the system of marketing that was developed during pre-Partition days in India and still remains intact in its essentials in Pakistan are:

- (a) Indifferent quality of the produce sold.
- (b) Inadequate facilities of transport and communication.
- (c) Multiplicity of intermediaries.
- (d) Lack of storage and warehousing facilities.
- (e) Lack of uniformity in weights and measures.
- (f) Absence of properly regulated markets.

We propose now to discuss each of these defects and also to take note of the various steps that have been taken by the Government to remedy each or some of them.

(a) Our produce does not enjoy good reputation in the foreign markets, though things have improved in recent years. The low quality of the produce is due to a number of causes: (i) indifferently selected seed; (ii) natural calamities affecting the crops while

1. Itinerant middlemen go under different names in the various regions. They are called *beoparis* in the former Punjab areas.

2. Report, op. cit., p. 45.

growing, like too much or too little rains, pests and diseases, etc.; (iii) primitive methods of harvesting, which lead to mixing of dirt and stones with the grains; (iv) lack of proper storage facilities in the village, which results in deterioration through exposure to rain, dirt and rats; (v) deliberate deterioration at the various stages of marketing by damping, mixing, etc.; and (vi) lack of standardisation and grading of produce which does not distinguish between good, bad and indifferent qualities.

The Provincial Agriculture Departments have done useful work in introducing improved varieties of seed, though a very large field has yet to be covered in this connection. The percentage of the total area under the various crops which is sown with improved seed varies from crop to crop. Taking all the crops together, it is still about 90% of the total area sown. Some work has also been done to tackle the problem of pests and diseases. The methods of harvesting, however, remain as defective as ever and unless mechanisation is introduced (which is impracticable under the present conditions), they will remain the same. Storage facilities can be introduced either by individual or co-operative effort, but little has been done so far. The trouble is that the cultivator cannot keep the produce on his hand for a long time, due to his financial weakness and hence troubling about constructing elaborate means of storage does not seem worthwhile to him. Conscious deterioration of quality is partly due to pure dishonesty but partly because the standard of quality for exports is fixed low and better quality produce does not command proportionately better prices. The seller, therefore, reduces better quality products to the given standard. In the case of cotton, the Government has taken definite steps to prevent deterioration of quality in certain cotton-growing areas. In 1923, the Cotton Transport Act was passed in India which enabled any local Government to notify definite areas of cotton for protection and to prevent the importation of cotton from outside the area except under licence. The object was to prevent inferior outside cotton to get mixed with the superior variety of the area protected. The Act produced good results. To discourage adulteration, another Act was passed in 1925. This was the Cotton Ginning and Pressing Factories Act. According to this Act, the gins and presses have to mark their bales distinctively in serial numbers so that any fault, if discovered, can be traced back.

After Partition, the Punjab Legislature passed the Punjab Cotton (Control) Act, 1948, in order to prevent deterioration through mixing of cotton. Under this Act only specified varieties of cotton are to be grown in particular areas; seed of only certified quality and purity is to be sown ginning factories have to be licensed, and it is prohibited to mix two or more varieties of cotton at the ginning stage or to transport cotton-seed from one zone to another. Similar legislation was enacted in Bahawalpur. Legislation on similar lines—suited to circumstances of the commodities in each case—should go a long way to prevent deterioration of other agricultural products. Measures against adulteration of food do exist in various local areas, but they have not proved very effective; moreover, they only aim at protecting the home consumer.

As regards grading and standardisation, the first important step was taken in pre-division India when the Agricultural Products Grading and Marketing Act, 1937, was passed. Under this Act licences were issued to reliable merchants authorising them to grade agricultural produce under the close supervision of the marketing staff appointed by the Government. Such produce was then placed in the market under the label and seal of "AGMARK." A large number of products (including grapes, oranges, tobacco, apples, flour, rice, ghee, eggs, hides and skins and lac) were graded in this way.

The present position in Pakistan is that, apart from the broad classification of jute, and on a comparatively very small scale of eggs and ghee, there is no organised grading of any agricultural commodity. Wrote the Agricultural Enquiry Committee in 1952: "At present there are no official standards of quality or grade specifications in respect of any agricultural produce. In the case of cotton and jute, trade names and trade standards do prevail, but these apply only at or after the baling stage. Other commodities such as wheat, rice, wool, hides and skins, etc., have no standards whatsoever except for trade names in the case of some of the grains. Adulteration thrives under these conditions."¹

In the opinion of the Agricultural Enquiry Committee, with which we fully agree, the grading should be done at the first stage of

1. Report, op. cit., p. 16.

marketing through a co-operative agency under the control and supervision of the Co-operation and Marketing Department of the Government. Grades and standards should be prescribed by the Co-operation and Marketing Adviser after proper research into and analysis of the physical and chemical qualities of the commodity concerned. Facilities for such analysis are available at the Central Control Laboratory at Lyallpur. So far grading has been done on a voluntary basis; it should be made compulsory, particularly in the case of exportable commodities like wool, hides and skins, bones, betel-nuts and sun hemp. Later, rice and cotton-seed may be added. The sanctity of the "PAKMARK," the name of the Government seal, which guarantees the purity of the product bearing it, should be zealously guarded and wilful misgrading or counterfeiting "PAKMARK" labels should be severely punished by amending the existing legislation (Agricultural Products Grading and Marketing Act, 1937, which was adopted in Pakistan after Partition).

(b) One of the reasons why only a small proportion of the produce is taken by the cultivator to the market is the bad condition of roads. This also accounts for the variety of the itinerant grain dealers and carriers that have appeared. The following description still applies to most parts of Pakistan: "Communications from the field to the village and from the village to the *mandi* are often extremely poor and defective. Bad roads, lanes and tracks connecting villages with the markets not only add to the cost of transportation and aggravate the strain on bullocks and other pack animals, but also lead to the multiplication of small dealers and intermediaries. They also restrict markets by hindering cheap and rapid movement of agricultural produce."¹ The difficulties are greater in hill districts where the cultivator is often at the mercy of the grain dealer who alone can command enough animal power to undertake transport of the produce.

As regards means of conveyance, the produce is carried to the market in bullock or camel carts, on pack animals, such as camels, ponies, buffaloes and donkeys or in head loads. Different methods are used according to the circumstances of different localities. River transport has declined in West Pakistan but is still of considerable importance in East Pakistan. In West Pakistan the cart and pack

1. Mukerjee, op. cit., Vol. I, p. 295,

animals are predominantly used. Motor transport has, however, grown in importance in recent years.

Due to inadequate facilities for transport and communication, the cost of marketing has become very high. In the words of the Agricultural Enquiry Committee, "the success of any plan for agricultural development is largely dependent on the facilities afforded for primary produce to reach the consumer at minimum cost."¹

The first essential, particularly in West Pakistan, is to have properly metalled roads because without them full advantage cannot be obtained from the extension of the use of motor vehicles and the costly methods of transport by bullock cart and camels will have to continue. We are glad to note that road development has made notable progress since the Partition in what used to be the Punjab and N.-W.F.P. Very little, however, has been done in Sind (now Hyderabad Division) in this connection. In East Pakistan, waterways rather than roads predominate as means of communication and transport. There, road development has made meagre progress largely owing to the topographical conditions peculiar to that Province.

We shall discuss the plans of the Government with respect to the development of roads, waterways and railways in the second volume of this work. Here, however, we may refer to the defects of the railway transport from the marketing point of view which were brought to the notice of the Agricultural Enquiry Committee² and which need removing as early as possible. The complaints which need investigation are:

- (1) Inordinate delay in transit at transshipment stations and in delivery at terminals.
- (2) Pilferage in transit.
- (3) Inadequate covered storage at pivotal stations.
- (4) Inadequate rail express service.
- (5) Absence of refrigeration facilities, special bulk containers and light vans.

Transport by air can be worthwhile only in the case of commodities of high value and small bulk, mainly perishable. Thus choice fruit like grapes could be sent from parts of West Pakistan to East Pakistan with return freight for high-value consumer goods such as

1. Report, op. cit., p. 46.

2. Ibid.

betel-leaf.

(c) The following typical chain of middlemen had emerged before Partition in most parts of India including Pakistan where organised marketing had developed: (1) Beopari; (2) Katcha Arhtiya; (3) Dalal; (4) Pucca Arhtiya; (5) Wholesaler and (6) Retailer.

In the well-developed *mandis*—which had typically appeared in areas where transport and irrigation had broken down the self-sufficiency of the village and a degree of specialisation in crops had taken place—the wholesale *arhtiya* had made his appearance and facilitated transactions. He often supplied capital to the village *bania* or *beopari* on the stipulation that the products of the neighbourhood would reach him regularly. He also acted as a commission agent of shroffs and big exporting firms in the cities, thus forming an indispensable link in the chain between the cultivator and the shipper-buyer. It was this wholesale *arhtiya* who was known in the market as the *pucca arhtiya*. He was distinct from the *katcha arhtiya* who acted as a commission agent for all sellers in the countryside including cultivators, village *bantias* and *beoparis* and other itinerant carriers we have already spoken of. The small *mandi* dealers also often disposed of their produce through the *katcha arhtiya*. The *pucca arhtiya* never dealt direct with the cultivator-seller. In addition to the *arhtiya*, there were other intermediaries called the *dalals* (brokers). *Dalals* were found in all the markets. Sometimes one set acted for the sellers and the other for the buyers. In the majority of the markets, however, brokers operated in the interest of buyers only. It was not necessary to employ a broker but buyers generally did so to save themselves time and bother. His real business was to put buyer and seller in touch. This organisation was disturbed at the time of the Partition, particularly in West Pakistan, because these middlemen were mostly Hindus and Sikhs who migrated to Bharat. New middlemen, however, have been emerging on the same lines.

There has been difference of opinion as to how far these middlemen are economically justifiable. Some people regard some of them, at any rate, as superfluous. It has been suggested, for instance, that the *dalal* is unnecessary. If the cultivator took the produce to the market himself, the *beopari* could also be eliminated. The *katcha arhtiya* could be displaced by the co-operative shop. The *pucca arhtiya* and the wholesaler are frequently the same person. By marketing

through the village co-operative sale societies, the consumer could be approached directly. The Royal Commission on Agriculture, reporting in 1928, however, advised caution in such reforms. "Public opinion," they wrote, "is invariably watchful and is often suspicious of the middlemen. . . . It is clear, however, that the public is not fully informed on the costs and risks incidental to the business of distribution in modern conditions. We depreciate easy generalities suggesting that every ill from which the cultivator suffers is traceable to the existence of herds of rapacious and unnecessary middlemen. Such statements disturb confidence while distracting attention from faults in the system of marketing which are capable of being remedied or removed."¹ The real fact of the matter is that these middlemen arose as a necessary evil due to the prevailing conditions in the country. "Bad communication and chaotic conditions of marketing encourage a superfluity of middlemen . . . and the most effective means of removing unnecessary middlemen is the provision of good roads and the establishment of a sufficient number of well-regulated markets easy of access to the cultivator."² A similar opinion was expressed by an Indian writer thus: "In the present unorganised system of credit and marketing, itinerant *beopari* is a necessity and he should not be condemned offhand, just like the village *mahajan*, unless and until new and better marketing methods are brought to the door of every peasant."³ The Pakistan Agricultural Enquiry Committee attributes the existence of too many middlemen to various causes, "the most prominent among them being inadequate financial resources of the producers and their low standard of education, unsatisfactory communications, absence of properly regulated markets and co-operative effort among the producers."⁴

Thus, instead of complaining of the symptoms, we should tackle the basic factors which have given rise to these symptoms. It is certain, however, that greater attention to the development of co-operative marketing can considerably lighten the burden of marketing costs now falling mainly on the producer.

(d) Another defect in the system of marketing in Pakistan is the lack of proper storage and absence of licensed warehouses. The

1. Report, Royal Commission on Agriculture, p. 383.

2. Ibid., pp. 383-84.

3. Mukerjee, op. cit., Vol. II, p. 306.

4. Report, op. cit., p. 45.

availability of storage facilities has several advantages: price fluctuations are reduced, supply is spread more equally over time and production and consumption are both increased.

Storage is required: (i) for the produce the agriculturist keeps in his house for his family consumption, for seed or later sale; (ii) by the trader in the case of produce waiting for sale; (iii) by the Government for agricultural products in which the State may have dealings in one connection or another.

So far as the agriculturist is concerned, due to the lack of financial reserves he sells his produce within a month or so of harvesting it. The only produce that he stores for any length of time is what he keeps for his family consumption or for seed. The large landlord, however, needs storage for his surplus produce which he may withhold for later sale. The cultivator seldom thinks it worth his while to undertake expenditure on expensive storage structures. He stores grains largely in huge earthen containers, in pots and jute bags, or underground in *khatthis* or pits. Underground storage exposes the produce to white ants, rats and dampness.

In large markets agricultural produce is stored in *kothas* and *khatthis* or godowns. Such produce may be sold several times before it is finally taken out. Against it advances are given by joint-stock banks, merchants or commission agents. The produce is held at the depositor's risk and the financing agents take no responsibility for losses in storage, deterioration in quality or fire risk. There are no "warehouses" as such as the term is understood in advanced countries. The lack of warehousing facilities at the assembly markets results in the congestion of produce at consuming centres.

The annual shipments of foodgrains from Karachi since Partition have varied between 30,000 and 200,000 tons. During the current years, large stocks of wheat have been imported to meet the food deficiency. Under the price support policy during 1951-52, the Government had to seek storage facilities for raw jute and cotton pending their disposal.

Due to inadequate and defective storage facilities the loss of produce in quality and quantity is considerable. In foodgrains alone this loss has been estimated at 600,000 tons a year, i.e. 5% of the total production of foodgrains in this country. Saving of this loss

alone would make Pakistan self-sufficient in foodgrains.¹

The question of cold storage for perishable foods also needs attention. The need is greatest for fruits, vegetables, meat, fish and seed potatoes. Absence of cold storage facilities for fruits and vegetables results in market gluts at the peak of the harvest season and considerably restricts the market in the case of meat, eggs and fish. Cold storage facilities in transit, and assembly and marketing centres would result in considerable expansion of trade and production of these commodities.

To improve the conditions of storage, the following steps should be taken by individuals, corporations, co-operative societies or Government, as the case may be:

- (i) In the villages, godowns may be constructed by co-operative societies to give facilities for storage to members and enable them to keep their produce safe, until the favourable time for selling. The co-operative society can combine the functions of providing marketing finance with the provision of storage facilities.
- (ii) There should be properly constructed and licensed warehouses at more important *mandis* and railway stations. These will not only safeguard the quantity and quality of the produce pending final sale, but will also enable advances to be obtained at more reasonable rates from banks and other financial agencies against the security of the produce stored. For such constructions Government assistance and initiative may be necessary. These warehouses should conform to plans approved by the Government.
- (iii) Steps should be taken to initiate a planned scheme for the provision of cold storage to meet the needs of the trade in fruits, vegetables, seed potatoes, meat and eggs. This will necessitate a preliminary survey in these commodities which will include the present production, movement, transport and storage from the producer to the major consuming centres.
- (e) Standardisation and uniformity of weights and measures are

1. Report, Agricultural Enquiry Committee, p. 58.

very essential to ensure reliable trade transactions and to inspire confidence in the minds of the producer as well as the consumer. At the moment there is considerable disparity in weight and measures used in the country and unscrupulous traders are not slow to exploit the situation. Hence the need for radical reform towards standardisation.

In West Pakistan, the standard maund is of 40 seers ($82\frac{1}{2}$ lbs.) and the seer is of 80 tolas. These weights are in common use by trade, industry and Government institutions. This applies particularly to railway and road freight, to regulated markets and industrial concerns. In some parts of Pakistan the use of the standard maund has been made compulsory in cotton-ginning factories and in municipal and district local board areas. A system of inspection of weights and measures is also in force in these places. In the rural areas, however, the standard weights and measures are not always adhered to and there is room for abuse.

In East Pakistan also the maund is a unit of weight but it may be of 30, 40, $40\frac{1}{2}$, 41 or 60 seers. The seer may be of 60, 75, 80, 90 or 96 tolas dependent on the customs of the locality concerned.¹

Legislative attempts have been made since before the Partition to enforce standardised weights and measures. But the law has not always been successfully enforced. In pre-Partition India fixation of standards was a Central subject while the implementation was a Provincial responsibility. In 1939, the Central Legislature passed "The Standards of Weights Act," which laid down standards of weights of tolas, seers, maunds, etc. Accordingly, "The Punjab Weights and Measures Act, 1941," was passed in the Punjab and was enforced in 1943. This provided for the introduction of standard weights, stamping, etc. In Sind, the Bombay Weights and Measures Act of 1932 was in operation since 1935. In East Pakistan, a Bill has been under consideration since 1947 for the reform of the system of weights and measures. The N.-W.F.P. and Bahawalpur State also adopted weights and measures legislation. There was yet no legislation in Baluchistan and Khairpur when these areas became part of West Pakistan.

It is necessary to have a uniform policy regarding weights and measures. Uniform standards should be fixed by the Centre and

1. Report, Agricultural Enquiry Committee, p. 58.

effectively enforced by the Provinces by legislation of their own on the lines laid down by the Centre. Now that the decimal system has been introduced regarding the currency it will be appropriate to extend it to weights and measures as well. India has already done so.

(f) There is a large number of primary markets scattered all over the country. Their size, character, organisation and importance vary from locality to locality according to circumstances. They may belong to a local body or an individual. The majority of them which deal in bulk produce consist of open spaces where buyers and sellers carry on transactions. Wholesale markets are fewer in number. They usually perform special functions as regards storage, finance, trading, transport, etc. Most of these markets operate without set rules or regulations. Generally speaking, they are unorganised and all sorts of fraudulent practices are rampant in them. Some of these have agents acting for buyers and sellers both and getting commission from both parties mainly to the disadvantage of the cultivator-seller. Settlement of price under cover by the *arhtiyas* representing the buyer and the seller, use of incorrect weights, extortion of a variety of charges from the ignorant and illiterate agriculturist-seller are some of the common abuses.¹ The net result of all these malpractices is that the cultivator-seller is deprived of his due returns from the sale of his produce. Even when the charges are initially paid by some other party, they are ultimately borne by the producer. The Report on the Marketing of Wheat prepared in the pre-Partition days has the following to say in this connection and this is in a general way true of all products sold in unregulated markets:

“All octroi duties, terminal taxes, tolls, market charges and charities paid on wheat between the cultivator and the consumer are inevitably forced back (the upper limit of price being fixed already by competition) on to the cultivator who is willynilly compelled to pay for the upkeep of municipal roads and other amenities of the town through octroi and similar duties. He also pays by way of charities in many

1. These charges include commission, *palledari* (porterage), *tola* (weighment), *chungi* (paid to buyer's servant) *dalali* or brokerage (to buyer's *dalal*), *shagirdi* (to *arhtiya's* apprentice), *dharwal* (charity), *gaoshala* (charity for cow-protection), *changar* (sundry payment, in Sind). Most of these have disappeared after Partition.

cases for educating the urban children and for maintaining other charitable institutions from which he himself derives no direct benefit.”¹

10 · 5 Regulated Markets

Mainly two great reforms were usually suggested in pre-Partition days to save the cultivator from the oppressions of the prevailing system. One was the establishment, all over the country, of regulated markets on the Berar and Bombay model, and the other was the marketing of produce through the cultivators' own co-operative societies formed for this purpose.

We shall discuss co-operative marketing in the chapter on Co-operation.

As regards regulated markets, the first provision for their establishment was made by the Berar Cotton and Grain Market Law of 1897. It vested the management of such markets in an elected committee representing the people living in the area served by the various markets and of the local authorities. *Arhtiyas* were to be registered and the weighmen and *dalals* to be licensed; unlawful deductions were prohibited and only standard weights were to be used. Penalties were fixed for breach of law. The Agricultural Commission recommended establishment of similar markets for other areas and other commodities. Bombay modeled its Cotton Markets Act of 1927 on the Berar Law with some improvements. This latter was replaced following the enactment in 1930 of a more comprehensive law—the Bombay Agricultural Produce Markets Act. Similar laws were passed in some other provinces and States of India including N.-W.F.P. (1939) and Punjab (1939). In essentials, all these laws resembled each other. A few words may be said about the Punjab Agricultural Product Markets Act.

The main features of this Act which is still on our Statute Book are as follows:

- (a) A Market Committee is set up in the market area to ensure dealings between buyer and seller and generally to administer the market. The committee represents the various interests—the growers, commission agents, traders, etc. Members are selected by the Government from among the prescribed panel of names submitted by the non-official

1. Report on the Marketing of Wheat in India, pp. 288-89,

members of the District Board of the district in which the market area is situated and by the traders in the market.

- (b) The Market Committee standardises the various market practices and charges, keeps standard weights, sees to it that the same broker does not represent both the buyer and the seller, and performs similar other functions ensuring fair-play in dealings. In cases of dispute, the Committee provides arbitration facilities.
- (c) The Act provides for the licensing of brokers and weighmen and prescribes for penalties for breach of law.

So far eighty-five regulated markets have been established under this Act in the former Punjab areas. Each market comprises a defined notified area embracing several villages with a centrally located *mandi*. The *mandi* is a well-planned market-place having wide, paved plinths surrounded by merchants' shops, store-rooms and facilities for unloading, cleaning, weighing and bagging grain. The *mandis* are located near railway stations and in some cases have a separate railway siding. Grain is the chief produce handled, though much of the cotton also passes through them to the local ginning factory. These are being made good use of. Communications are well developed. The committee which controls them charges fee for business done which makes the markets self-supporting.

Similar legislation was passed in the former N.-W.F.P. and Sind but unfortunately it was never enforced.

It is necessary to establish regulated markets in both the units of Pakistan in order to bring order into the prevailing marketing system in the country. These markets may be established for single products like cotton, jute, grain, etc., or for more than one specified products depending on local circumstances and needs. The need is great for wholesale transactions in agricultural products; retail marketing can also be regulated on similar lines. Legislation for this purpose may be enacted in both the units of Pakistan.

10 · 6 Marketing of Fibres

So far we have been talking in general terms of the system of marketing of agricultural produce in Pakistan. We shall now take some specific products and describe their marketing system to illustrate our general observations. Among the fibres we shall take jute, cotton and wool, our export staples.

The growers of jute are normally small cultivators, each growing on the average about twenty maunds or so of jute. They retain a part of their produce for domestic consumption—for making ropes, mats, strings, crude sacking material, etc. This amount varies from 2% to 5% of the total production. The average grower, being a man of small means, has little power to withhold his crop for better prices. He tries to sell his jute at the earliest, either to peripatetic dealers at his doorstep or at the local village *hat* (primary market) and seldom sells at the secondary market (the baling centres), where he could get better prices, since he lacks transport facilities and financial resources. Moreover, due to diversity of weights and measures, he is likely to be defrauded at the larger markets by the unscrupulous buyers.

The buyers at the *hats* are more prosperous *beoparis*, representatives of balers and other dealers (*aretdars*). From these primary markets the jute moves to the baling centres. Bales may be *katcha* (manually operated) or *pucca* (hydraulic pressure bales). Here, the chief buyers are balers while the sellers are either large *beoparis* or the *aretdars* and rarely the growers. At this stage jute is baled by *katcha* or *pucca* balers. The *katcha* baling may be done by representatives of jute mills, large foreign firms or small concerns of essentially local importance. The turnover of each individual may vary between 5,000 and 30,000 maunds annually. A *katcha* bale weighs usually 3 to 4 maunds. *Katcha* bales up to December 1954 were mostly exported to Calcutta. Since that date this practice has been banned.

The remainder of the jute is pressed into *pucca* bales on hydraulic presses. A *pucca* bale is of 400 lbs. These presses are operated by shippers and balers whose charges are fixed. The number of *pucca* balers increased from 32 at Partition to 78 in 1955. They have a capacity of over 70 lakh bales annually.

After *pucca* baling jute moves into the shipping terminal stations of Chittagong, Chalna (now Mangla). It used to go to Calcutta for some time after Partition, but links with Calcutta were disrupted after the devaluation crisis of 1949.

The main problems which need attention in the marketing of jute are: to see that the grower gets a fair price for his product, to reduce price fluctuations as far as possible, to promote standardisation

of the product, to make market information available to the people concerned, to safeguard against competition from substitutes through lowering cost and improving quality of the product and to control unauthorised export to the neighbouring country. The Government has been taking steps to tackle these problems. Among these are the passing of the Jute Act, creation of the Jute Marketing Corporation, promotion of the jute mill industry, etc.

Like jute, most of the cotton is also grown by small holders, growing on the average a few hundred pounds of *kapas* (unginned cotton). A portion of it he retains for hand-spinning and other domestic uses. The grower may sell his produce either (i) to the itinerant dealer at his doorstep, or (ii) at the nearest *mandi*, or (iii) to the ginning factory. If the sale is made on forward basis, the grower may receive an advance of a few rupees per maund as contracted. Such sales may be made with or without fixing prices. Sometimes ready sales may be made on "unfixed-price" basis.

Responsibility of transportation is on the grower. He may transport it to the ginning factory at his own cost or suffer a discount in price, and arrangements are then made by ginners or balers with contractors. The contractors may transport it by camels or bullock carts as the condition of transport facilities demands; and, where possible, it may be brought to factories by lorries or rail. In this way the cotton reaches *mandis* or ginning factories.

Ginning is done mostly on roller gins, though the use of saw-gins is spreading. There are over 800 ginning and pressing factories in West Pakistan, with 8,555 roller gins, 1,470 double roller gins and 375 saw-gins. These are regarded quite adequate. The average cost of ginning in the former Punjab is Rs. 16 to 24 per bale and pressing charges vary from Rs. 10 to 12 per bale.

After cotton has been ginned, it may be sold (i) ex-factory, (ii) to textile mills, (iii) to representatives of export houses at Karachi, (iv) it may be consigned to Karachi commission houses, on a Karachi selection contract basis, or (v) it may be consigned to Karachi on a factory selection contract basis. Generally, ex-factory sales are restricted to purchases by export houses at Karachi. Most of the mills in the country have their own ginning and pressing factories. Most of the export houses also have their own ginning factories, but they also purchase from the outside ginners. Purchases are made by

agents on the basis of sample pressed bales from ginning factories with well-established representatives, or factory selection contract is used. Under this latter the purchasing firm deputs a representative to the ginning factory to select "kapas" from the available stock and get it processed under his supervision. Most of the crop of the Punjab and Bahawalpur areas is sold on the basis of Karachi consignment. Under this system the ginner sends cotton to a commission house at Karachi, in return for an advance payment. The final settlement is made only when a sale is effected.

Cotton that moves toward Karachi after it has been ginned is kept in huge yards called "plinths." It may be handled there by large export houses which have their own ginneries and purchase agents or by large commission-cum-export houses, or commission houses. Commission houses are selling groups while export houses are buying group. Transactions between them take place through brokers appointed by the two Cotton Associations operating at Karachi—the Karachi Cotton Association and the Pakistan Cotton Association. Finally, the export houses sell cotton to foreign importers on the basis of standard grades which exhibit enormous variations in quality.

The Central Cotton Market in Karachi consists of two main divisions: (a) the Spot Market and (b) the Future Market. In the Spot Market cotton can be bought for immediate delivery and is available for inspection. The Future Market, which is an incorporated organisation of dealers, makes possible buying and selling for future delivery. No one except the associated dealers may transact business on the Future Market which is generally called an Exchange. In Pakistan, trading in cotton futures started in December 1955. The Karachi Cotton Association framed rules and regulations on the lines of those existing in other countries. According to one estimate, about 70% of the cotton produce in Pakistan goes to the buyers through the Exchange.¹ Both spot and future contracts are bought and sold in the Karachi Cotton Exchange.

The main problems needing attention in the marketing of cotton are: production of adequate quantities and maintenance of quality

1. Farooqui, Keaton and Miller, *Agricultural Marketing in Pakistan* (Amin Book Co., Karachi, 1958), p. 161.

of the product on the farm; safeguards against deterioration during the process of ginning; reducing transport costs; provision of good storage facilities and warehousing facility at the port. In other words, we wish to preserve this important foreign-exchange earner through creating adequate export surplus of good quality which can face competition in the international market.

Now as regards wool. Pakistan produces about 30 million lbs. of wool annually and imports about 4 to 5 million lbs. from foreign countries. Pakistani wool is classified as Carpet Wool in the world market and is known to the trade as East Indian Wool. Some of this wool is obtained from the Pawindas, who move their flocks across Iran and Afghanistan borders for winter pasturing in Pakistan areas. Their sheep are shorn here and wool is sold. In return they buy and carry back with them items of personal use as they return to their home grounds in spring.

Most of the wool produced in Pakistan is exported, though woollen mills in Pakistan are consuming much more wool now than a few years ago. Foreign demand is mainly for carpet wool, particularly from the United States, United Kingdom and Germany.

Pakistani wool some time back used to be consigned to United Kingdom for auction in London. As a number of malpractices crept into the trade the country got a bad name for it, resulting in losses for the exporters. The Government, therefore, had to take action. It has now been made obligatory to grade all wool for export. Each parcel has to be accompanied by a certificate issued by the office of the Co-operation and Marketing Adviser, Government of Pakistan, certifying its quality. This has restored confidence in the Pakistani product on the part of buyers abroad.

10 · 7 Marketing of Foodgrains

The production of foodgrains (including wheat, rice, gram, maize, barley and jowar) in Pakistan was 15·15 million tons in 1959-60. Of this 9·46 million tons was rice mainly grown in East Pakistan and 3·88 million tons wheat mainly grown in West Pakistan.

The methods in marketing have changed very little during the last hundred years except that Government intervention has increased and transport facilities are better now than in the past.

Grain markets in both the wings are conducted by wholesale and retail grain merchants. Under the Government procurement

scheme these dealers purchase wheat and rice on behalf of the Government under the system of a licence. When there is a rationing of grains and flour (abolished since early 1959) it is accomplished by the Government supplying the grain to dealers who in turn serve the rationing cards.

About 90% of wheat and rice marketed is sold during the first three months after the harvest due to lack of staying power on the part of the producer and lack of storage facilities. The farmer, therefore, obtains lower prices than he would if he could spread his sales more evenly over the year. This calls for better credit and storage facilities.

Foodgrains may be stored at the farm, at the grain-dealers' and by the Government.

The farm storage accounts for about 75% to 80% of the wheat and rice storage. This is done mostly for domestic consumption and seed. The grains are stored in clay jars, barrels, bags, small mud-brick buildings, grass or reed-woven containers, etc. The grain-dealers mainly store the grains in bags kept in rooms, warehouses, etc. These are subject to attacks by rodents and insects and can be spoilt by climatic effects. Government storage consists of godowns of various types. Grain storage capacity owned by Government at Partition was 388,600 tons of which 255,000 tons was situated in East Pakistan and 163,600 tons in West Pakistan. By 1959-60 the total capacity increased to 1,033,700 tons. Of this 472,000 tons was in East Pakistan and 661,700 tons in West Pakistan.¹

Even this is quite inadequate and needs further expansion. With industrial development and consequent urbanisation of the country the need for marketable surplus of foodgrains will increase as it has been doing during recent years and the problems of marketing of foodgrains will need growing attention along with the problem of greater production.

The main problems of marketing of foodgrains are: ensuring better quality through production of better varieties and grading of the products, improvement of storage facilities, reducing the number of unnecessary intermediaries, ensuring good prices to the grower, ensuring adequate supplies of foodgrains to the urban population through increasing the marketable surplus, attaining domestic self-

1. *Agricultural Statistics of Pakistan* (May 1961), p. 86.

sufficiency in foodgrains.

10 · 8 Marketing of Tea, Tobacco and Sugar

Tea is exclusively produced in East Pakistan. Its production increased from 28·10 million lbs. in 1947-48 to 57·00 million lbs. in 1959-60. The First Five-Year Plan period average was 52·47 million lbs.¹ The major portion of tea produced in East Pakistan is shipped out of the Province.

The marketing of tea in Pakistan is regulated by the Pakistan Tea Act, 1950. Under it have been constituted the Tea Board, Pakistan Tea Licensing Committee and a Tea Research Station at Srimangal in Sylhet District.

Export of tea from Pakistan is made under a quota system. Ninety per cent of the exports go to London on a consignment basis for sale at London auctions. In recent years domestic consumption, especially in West Pakistan, has sharply increased. This may lead to a decline in our export of tea unless production can be increased considerably.

Of the total area of over 80,000 acres under tea in Pakistan 72·1% is owned by Europeans, 10% by Indians and only 17% by Pakistanis. Pakistani tea is on the whole inferior in quality as compared with tea from other competing countries and is mainly used for blending purposes. Though they have absorbed huge capital investments the plantations have grown old and no fresh plantings have taken place. Due care is also not exercised in plucking. The manufacturing of tea has also deteriorated on account of the lack of proper equipment and non-availability of spare parts. Tea chests which have to be imported are expensive and are usually in short supply. Transport facilities from the producing areas in Sylhet to the port of Chittagong are inadequate, apart from being highly expensive. No official grades of the product are fixed. The Government is blamed by the industry for high taxes and too much regulation through legislation.

These problems will have to be solved if the industry is to survive and compete in the world markets in which it contributes between 2% to 4% of the total supply.

Pakistan produces about 225 million lbs. of tobacco from an area of about 200,000 acres. Six per cent of the total is produced in

1. *Ibid.*, p. 5.

East Pakistan and is consumed within the Province. This acreage devoted to *desi* varieties has remained, more or less, constant, but there has been a tendency to grow Virginia type of tobacco leaf in West Pakistan which is used in the manufacture of cigarettes.

The export of tobacco is rather small. Attempts are being made by the Government to encourage the production of flue-cured tobacco and to stimulate its export. Pakistan exported about 1.5 million lbs. of tobacco leaf in 1956-57.

The main problem of marketing of tobacco is to establish grades and standards for tobacco leaf, particularly for flue-cured tobacco, the absence of which has put the produce at a disadvantage in competition. The second problem is to ensure that the grower gets a reasonable reward for his efforts. At the moment various malpractices prevail, like heavy market deductions, use of incorrect weights, etc. These practices need regulation.

The area under sugarcane has been increasing since Independence, particularly in West Pakistan. It increased from 480,000 acres to 1,149,000 acres in West Pakistan and from 230,000 to 357,000 acres in East Pakistan during the period 1948 to 1964-65. Total production of sugarcane in Pakistan increased from 10.23 million tons to 22 million tons during the same period. But the scope for future increase is limited by such factors as high water requirements and the nature of the crop which is very exhausting for the soil and takes from twelve to fourteen months to mature. Moreover, it involves great care and hard labour.

The cane, like other agricultural products, is produced by a large number of cultivators most of whom are small holders. The cane-grower has three alternatives to dispose of his cane: (a) To convert it into *Gur* on the farm and sell it in the open market. Ninety per cent of the total crop is treated in this way. (b) To take it to the nearest sugar mill and sell it there. (c) To convert it into *Shakkar* and refine it into white granulated sugar by means of centrifugal machines. A small quantity is also sold in towns for chewing and fresh juice.

Pakistan is not self-sufficient in sugar (refined) and has to import large quantities from abroad even though domestic production has been increasing in recent years. In 1948 we imported 52,193 tons of refined sugar and produced only 20,000 tons at home. Ten years later while imports increased to 75,000 tons (about 5%), domestic

production increased to 104,000 tons (more than 400%). The aim was to achieve self-sufficiency during the First Plan period which was not achieved. Production of sugar was 278,000 tons in 1963 and 934,000 tons in 1964. We have almost achieved self-sufficiency during the Second Plan period.

So far sugar is produced in Pakistan exclusively from sugarcane. But experiments are being made to extract it from beet. This new source may be very helpful in increasing production.

The main problems of the sugar industry include breeding of better varieties of sugarcane to increase yield per acre, to increase the percentage of sucrose recovery, to determine price of sugarcane on the basis of sucrose content, and to increase the efficiency of sugar mills and to lower costs and hence price for the consumer.

10 · 9 Marketing of Fruits and Vegetables

Fruits and vegetables are a source of sizeable income to the farmers in Pakistan. Fruits are grown mostly on large orchards which have increased considerably during recent years under the fear of land reforms. Some trees are also grown on borders of fields by small farmers. Vegetables are usually grown for domestic consumption. But where city markets are accessible they are grown for marketing there. Near the cities a certain amount of crop specialisation has also appeared.

Recent statistics regarding the production of fruits and vegetables in Pakistan are not available. According to one estimate, in 1953-54 Pakistan produced 2·73 million tons of fruits of which 2·17 million tons were produced in East Pakistan. In 1952-53 the total vegetable production was estimated at 1·78 million tons of which 1·60 million tons were produced in East Pakistan. The per capita production in case of fruits came to 65 lbs. per annum and of vegetables 18 lbs.¹ This is far from adequate.

As regards methods of marketing, they are rather primitive. Usually the producers harvest the crop and transport it to the town by head-loads or bullock carts. Sometimes donkeys and camels are used. Trucks and railways also have come to be used in recent years where the quantity is large.

The fruits and vegetables are bought from the producers by

1. Farooqui, Keaton and Miller, op, cit., p. 124

wholesalers who in their turn supply them to retailers in the local market or send them off to distant *mandis*. The most common method of sale by producers is auction sale, though sale by consignment and sale by delivery are also practised. In the former the consignment is forwarded to a commission merchant in another town by rail or road. In the latter case, amount sold is delivered by the seller on board the wagon, truck or boat at an agreed point or a market. All expenses to the point of delivery are paid by the seller who bears also the risks of loss or damage. Sometimes sales are made F.O.B. (Free on Board) when produce is loaded on board a railroad or truck. Transportation to destination is paid by the buyer who assumes all risks of loss or damage.

Fruit and vegetable markets are usually centrally located in towns and cities. As a rule the area is owned by the municipality and is rented out to individuals for the sale of the produce. The area is usually occupied by various types of wholesalers who supply the produce to the retailers for sale to the consumers. The retailers' stalls are also found in the market area as well as in other parts of the town. Since fruits and vegetables are perishable commodities, usually they are brought in quantities that can be sold during a day or two. Prices, for obvious reasons, are usually higher in the earlier than in the later part of day.

Little systematic grading is done. Usually it is the retailer who classifies the produce into lots on the basis of quality indicated by size, blemishes, stage of ripeness, etc.

To improve the system of marketing of fruits and vegetables it is necessary to have quick means of transport, reasonable and adequate storage facilities, improved sanitation in the market areas and standardisation of the product.

10 · 10 Direct State Intervention in Marketing

In recent years the State has had to interfere directly in the marketing of agricultural crops, both food crops and cash crops.

As regards food crops, Government intervention has been necessitated by the recurring food shortage. Government action has usually taken the following forms: fixing consumer prices below free market prices, rationing, procuring grains from domestic producers at fixed prices, arranging for imports from abroad. Under such conditions the Government purchases supplies from

surplus areas and makes them available in deficit areas. Wheat has to be moved within the Province of West Pakistan, while rice is collected in this Province for export to East Pakistan. Such movements are arranged through State trading organs or their official agents. Private traders can also be used for this purpose. The prices paid need not reflect the international price level. The selling price for the deficit areas is calculated on the basis of official procurement price. The primary consideration is the welfare of the people rather than commercial profit. Sometimes the movement of foodgrains from surplus to deficit areas on private account is forbidden. Provincial Government are large buyers in surplus areas, and where monopoly procurement is declared, they are the only buyers. When crops are plentiful, procurement operation may assume the character of a price support scheme. Often, however, this is not intended, and the Government is left with large surplus stocks. In some years, e.g. in 1953-54, price support may be deliberately followed to save the market of rice and wheat from collapse, due to the large output. Such operations enable the Government to build up reserve stocks, which can be used in years of scarcity to provide the rationed urban areas. Another result of such activities is to stabilise prices of foodgrains over a period of time.

When supplies in the open market are scarce, the Government releases stocks and even imposes rationing. When open market prices fall below the Government prices, the public naturally prefers to purchase in the market, but when they rise above the officially fixed price, they turn to the Government. In this way prices get stabilised. Government transactions are usually on no-profit-no-loss basis.

The fixing of procurement price by Government, however, does not necessarily benefit the grower. Government purchases are usually made at the *mandi* level, and the growers may have, under pressure, already sold their produce to peripatetic dealers, landlords or the money-lenders.

The Government has also intervened in the marketing of cash crops, particularly jute and cotton. As to cotton, there has been wide instability in its market in recent years. Until 1955 there were no hedging facilities. The firms engaged in marketing had little experience in judging trends since they entered business through official export licensing policy. The market, therefore, responds with

considerable volatility to the changing influences. The crisis of 1950 (October-November) necessitated Government intervention. As a result of the Korean War and short crop in U.S.A., cotton price rose considerably. The Government met the situation by increasing the export duty on raw cotton from Rs. 60 to Rs. 300 per bale in November 1950. The idea was to depress the internal market, and enable the fulfilment of contracts. As a safeguard against the possible reaction, the Government promulgated a Cotton Ordinance in December 1950, which was later replaced by a Cotton Act in April 1951. Under this law the Central Government got powers to fix minimum prices for cotton, to regulate ginning and pressing charges, to compel ginners to buy cotton and pay not less than the minimum price fixed, to deal in cotton and to regulate the trading and movement of cotton. A Cotton Board was created to administer this law and also to scrutinise trading practices concerning marketing, forward transactions, insurance, storage, etc.

Late in February 1952, cotton price collapsed due to the world textile recession and Government interference through the Cotton Board became necessary. On 1st March, 1952, the Government announced a price support scheme under which floor prices¹ for cotton at Karachi were fixed. The Board was authorised to purchase cotton at the support prices at Karachi. By the end of 1952, the Board had purchased about 4½ lakh bales. Large quantities were sold by the Board from its stocks to foreign buyers at less than its support price. Subsidies were also given in some cases on the sale of cotton by export houses at prices below support levels. On these accounts the Board incurred a loss of Rs. 4 crores.

The price support scheme was discontinued for the season 1952-53. Early in 1953, however, the market at Karachi weakened and the Government had to intervene through fixation of minimum export prices. An export price check was operated by the State Bank to ensure that no under-invoicing of cotton export took place. Contracts below the fixed minimum price were not approved. This measure met with some success. Later, more radical measures were taken. In February 1953, barter proposals from private firms were

1. The minimum price fixed was Rs. 90 per maund for 289-F roller-ginned cotton, with appropriate prices for other kinds and qualities.

invited for the export of raw cotton in exchange for certain specified import items. Later, this offer was modified and only import of cotton yarn was allowed against old cotton crops held by the Board. In this way the Cotton Board was able to dispose of its entire crop of 1951-52 season, i.e. 100,000 bales, against the import of 48,814 bales of cotton yarn.

The Government intervention in the marketing of jute took place after India's refusal to recognise Pakistan's exchange rate after the devaluation crisis of September 1949. India refused to lift Pakistani jute at the new prices and old links with Calcutta, through which much of Pakistani jute used to be exported, were broken. This meant the disappearance of banking and exchange facilities previously provided at Calcutta for the jute trade. There was a precipitous fall in the prices of jute. To meet this situation, the Government of Pakistan issued an Ordinance on 22nd October, 1949. This Ordinance empowered the Government to fix minimum support prices and to appoint agents and brokers to purchase, store and sell jute on behalf of the Central Government. To administer these powers a Jute Board was established. It was to supervise all matters concerning storage, transport and insurance of jute. It was also empowered to regulate the charges made for baling. The Provincial Government issued an Ordinance, "The Jute Dealers Registration Ordinance." It required all dealers, occupiers of jute godowns and *katcha* and *pucca* balers to register themselves and to obtain a licence. If the conditions stipulated by Government were not fulfilled by the person concerned, the licence could not be renewed. The idea was to create a monopolistic organisation to support the jute economy of the country and thus to break the hold of the Indian purchasing agencies.

The next step that the Government took was to fix minimum prices for loose jute (jat bottoms) at Rs. 23 per maund and corresponding prices for other qualities by making premiums or discounts on this quality. At primary *hats* prices were reduced uniformly by Rs. 2.50 to cover the margin of carriage and other charges including profits of middlemen from the primary to the secondary markets. The Board appointed agents throughout the country to purchase jute at the minimum prices. Through these agents (whose number reached 159 by the end of the 1949-50 season) the Board purchased 850,000 maunds

of jute valued at Rs. 2 crores. By requisitioning presses baling facilities were provided to the new-comers. Simultaneously, banking facilities (formerly extended from Calcutta) were provided by setting up of a new bank—the National Bank of Pakistan. Other steps taken were to increase *pucca* baling facilities and port facilities to ship *pucca* bales by further developing the Chittagong port and the Mangla port.

In 1950-51, the Board entered the market again when 2·35 million maunds valued at Rs. 4·5 crores were purchased at the minimum price of Rs. 20·50 per maund, through 383 agents. An additional facility was provided in this season, that of announcing prices of unassorted jute at the doorstep of the grower. During the season 1951-52 support prices were not fixed until during the second half of the year, when in March 1952, due to worsening of the situation, the Jute Board fixed minimum prices (jat white bottoms at Rs. 23 per maund). By June 1952, the Board had purchased 69 lakh maunds at a cost of Rs. 16·5 crores. The crop of 1952-53 being a bumper one prices continued to decline and the minimum price of jat bottoms was reduced to Rs. 17 per maund. The Board suffered a loss of Rs. 7·5 crores under these circumstances. Government intervention, however, helped in stabilising trading conditions during the period in question.

Until recent years jute crop was strictly regulated. This is no longer the case. Minimum prices, however, have been fixed from time to time and an export price check operated by the State Bank. Licences of traders are renewed after close scrutiny to safeguard against malpractices.

10 · 11 Marketing Organisation of the Government

Before we end this chapter, a few words may be said about the marketing organisation created by the Government to improve the marketing system. Following the recommendations of the Royal Commission on Agriculture in India, an Agricultural Marketing Department was created in 1934, in the Central Ministry of Agriculture. This was followed by the creation of marketing sections or departments in most of the Provinces and States. After Independence, in Pakistan, the Provincial Marketing Sections continued in the Provincial Departments of Agriculture. The Central Agricultural Marketing Department was renamed as the Co-operation and Marketing Department. An Agricultural Economic Unit (recently made a full-fledged department of

Agricultural Economics) was created in the Ministry of Agriculture and was combined with the existing statistical section. This has hitherto mainly concentrated on the issuing of crop estimates, quarterly weather and crop reports and commodity situation reports.

The Co-operation and Marketing Department issues Survey Reports on the marketing of agricultural commodities in addition to conducting development work. So far it has issued only two reports, one on dates and the other on rape-seed and mustard. Some other reports, however, are under preparation, viz. fresh fruit, cattle, honey and tobacco. The Five-Year Plan recommended an early initiation and completion survey reports on important crops internally consumed, like wheat and rice, and those exported, like jute, tea and cotton. Such reports can be of great use to producers, traders, exporters and consumers of the commodities concerned.

Another set of activities of the Department concern the grading of agricultural commodities. Wool-grading which commenced on a voluntary basis in February 1954 was made compulsory for export in September 1954. This scheme has worked well and has been now made permanent. Private traders are using grades of jute and tea, but no official grades are used for any other export commodity, like cotton lint, fish, oilseed, oilseed-cakes and tobacco. A cotton-seed grading scheme was started in April 1950, but was stopped in April 1951, because the grade specification was not acceptable to the trade. Ghee, eggs and mustard seeds are also graded but on a small scale on voluntary basis. Grading of butter is still in the experimental stage and the Ministry of Agriculture is considering a scheme for the compulsory grading of hides and skins. "Apart from grading of wool, rape-seed, butter and mustard oil, little has been done about grading of other commodities."¹ The importance of grading cannot be over-emphasised. It facilitates buying and selling and gives good returns for good quality of the produce. This is particularly useful in the case of commodities exported to foreign countries. It is necessary to expand these activities of the Co-operation and Marketing Department, particularly in respect of the exportable commodities like cotton and jute, hides and skins, etc. It is proposed that during the Second Plan period

1. *Second Plan*, op. cit., p. 148.

stations would be established for grading cotton, jute, hides, skins, eggs, coriander seed and sunn-hemp.¹

Apart from the above activities of the Co-operation and Marketing Department of the Central Government, Central and Provincial Governments provide the interested parties with price quotations and other market information. The daily prices of agricultural commodities and livestock products are broadcast from Karachi, Dacca, Lahore, Hyderabad, Rawalpindi and Peshawar and published in leading newspapers. Weekly and monthly prices are collected from important markets and published in the monthly bulletin, *Markets and Prices*.

A well-integrated marketing system requires facilities such as credit, storage, and marketing skill. Ultimately, the system must be based on a sound rural co-operative organisation linking marketing with credit. Private and Government enterprise should supplement co-operative activities rather than supplant them. In the initial stage, however, the Government must undertake greater responsibility than will be necessary once a sound co-operative organisation has been established.

1. Ibid.

CHAPTER 11

Agricultural Finance

11 · 1 The Role of Finance in Agriculture

Every productive enterprise, including agriculture, requires finance because the operations have to be started and expenditure undertaken in anticipation of actual production. The more advanced kind of agriculture requires greater investment in farm equipment, seed, manures, and other essentials of production, even if the land belongs to the cultivator himself. When agriculture is of a primitive kind, as it is in Pakistan, it does not yield enough returns to enable the agriculturist to meet his normal day-to-day needs, not to speak of leaving a surplus for heavy productive investment. Under such conditions the danger of the peasant running into debt is very close indeed, as the history of agriculture in the Indo-Pakistan sub-continent and similar other backward areas has shown. In this chapter, we intend to study the problem of the financing of agricultural operations with special reference to the past experience of the Indian sub-continent and the present needs of the agriculturist in Pakistan. Since the need for rural finance has in the past led to indebtedness of the peasantry, which became at one time a very serious problem, we shall begin with an account of the emergence of this problem in the past.

11 · 2 Emergence of Rural Debt as a Problem

For indebtedness to arise, the following conditions must be present:

- (a) Existence of borrowers with necessity to borrow and security,

material or personal, to offer.

- (b) Existence of lenders with capital to lend and willingness to lend. The willingness of the lender to lend will depend upon: (i) the security offered by the borrower which is acceptable to the lender; (ii) the existence of law and law-courts to which recourse may be had in case the borrower refuses to repay the debt.

In the light of the above it will be easy to understand why indebtedness was not always a serious problem in the Indo-Pak sub-continent. The borrower's necessity has always existed in this sub-continent. "We have found no reason to believe," wrote the Famine Commission of 1880, "that the agricultural population of India has at any known period of history been generally free from debt." But indebtedness could not have been very serious in pre-British days. This was because: (a) there was little accumulation of capital to lend; (b) there was little surplus with the peasant from which a loan could be repaid; (c) there was practically no security to offer to the lender; and (d) there were no sure means of enforcing recovery against a recalcitrant borrower. There was little surplus for repayment of loans because of heavy demand of land revenue. There was no security to offer because the rights of ownership in land were neither valuable (because it produced no surplus over costs of production), nor definitely recognised and enforced. Finally, there were no regular courts to enforce the contracts made between the debtor and the creditor.

The advent of the British rule, in due course, changed all this. "This land far from being a burden, entailing the satisfaction of a crushing State demand, became a valuable property, improved communications opened up markets for sale of surplus produce... property of all kinds rose rapidly in value. Further, the introduction of fixed law and the general security, following on the enforcement of order, rendered the land available as the ultimate security for loans. Another factor of great importance was the growth of money economy and the increase of wealth as trade developed."¹ The Famine Commission of 1880 wrote, "Now with value of land risen, rights defined and recorded, money-lenders have lent more freely on

the security of ascertained interest in land . . . there is everywhere a serious amount of agricultural debt, and, at any rate, there is everywhere the habit of running accounts with the money-lenders, which always slide into debt when a crop is lost or a bullock has to be replaced." The new circumstances put the peasant entirely at the mercy of the money-lender. "By 1880," wrote Darling about the Punjab, "the unequal fight between the peasant-proprietor and the money-lender had ended in a crushing victory for the latter. . . . For the next thirty years the money-lender was at the zenith and multiplied and prospered exceedingly, to such a good effect that the number of bankers and money-lenders including their dependants increased from 53,263 in 1868 to 123,890 in 1911."¹

Thus the advent of the British rule increased the *opportunities* for borrowing and lending. But what about the *necessities*, which compelled the peasant to borrow? They had always existed and, on account of the greater pressure on land due to the growth of population, had been accentuated with the passage of time. The small holding and the way it was split up yielded a mere pittance to the cultivator. He had no reserve to pay for the recurring losses of cattle from drought and disease. Added to this was the cultivator's ingrained improvidence which led him to extravagant expenditure upon marriage and other domestic ceremonies. And when he had security to offer due to inflated values of land and the money-lender with his unscrupulous system of lending was there to take advantage of the situation, it is little wonder that indebtedness became a serious problem of enormous magnitude.

11 · 3 Extent of Rural Debt

What was the magnitude of the debt thus created? Several estimates were made from time to time as to the amount of debt owed by the peasantry in pre-Partition India. One of the earliest was made in 1875 by the Decean Roits Commission and related only to twelve villages in the Ahmadnagar District of Bombay. They found that one-third of the occupants were involved in debt, which was about eighteen times the revenue assessment, average debt per occupant being Rs. 371. The Famine Commission of 1880 expressed

1. M.L. Darling, *The Punjab Peasant in Prosperity and Debt*, p. 208.

the view that one-third of the land-holding classes in India were deeply in debt and an equal proportion were in debt but not beyond the power of recovering themselves. Sir F. Nicholson in 1895 estimated the total rural debt of Madras at Rs. 45 crores, and on this basis Sir Edward Maclagan estimated that in 1911 the total rural debt in British India was Rs. 300 crores.

The next important inquiry was that of Mr. (later Sir) M.L. Darling, I.C.S., in 1925. He estimated the total agricultural debt of the Punjab at Rs. 90 crores, average debt per cultivated acre at Rs. 31 and per head of agricultural population at Rs. 76. According to him, rural debt in the Punjab was at least nineteen times the land revenue demand of the Government. In the case of proprietors, the debt was equal to three years' net income, the average debt per proprietor being Rs. 463 as against Rs. 150 only per indebted tenant. Thus, prosperity and debt seemed to go together. Mr. Darling further calculated that the total agricultural debt of British India was not less than Rs. 600 crores or £400 millions.¹

Five years later the various Provincial Banking Enquiry Committee made estimates of rural debt in their respective Provinces. According to their estimate, the total rural debt in British India excluding Burma was Rs. 803 crores. At the time of this estimate the total value of production of principal crops in India was Rs. 955·3 crores. This meant that the peasantry owed in debt almost as much as the total annual production of the chief agricultural commodities.

As regards different Provinces, the Punjab had the highest debt per agriculturist (i.e. Rs. 92). The total agricultural debt of the Punjab was estimated at Rs. 135 crores. This meant that in four years the rural debt of the Punjab had been more than doubled. The debt in the Punjab was almost twice the annual value of the principal crops of the Province at 1928-29 prices. The total agricultural debt of N.-W.F.P. was Rs. 11 crores, the rural debt of Bengal was Rs. 100 crores which was about one-half of the value of the principal crops. The debt per cultivator was Rs. 31. The lower figure for Bengal was probably due to the lowering of the standard of living of the peasantry and these being mostly tenants who had little security to offer. The high value of crops was due to jute being

1. Ibid., pp, 20-21.

the main crop which gives high income per acre though not so much to the actual cultivator. The debt per agriculturist in the other Provinces of India was: Madras Rs. 50, Bombay Rs. 49, U.P. Rs. 36, C.P. Rs. 30, Bihar and Orissa Rs. 21, Assam Rs. 31.

These estimates were made before the disastrous fall in agricultural prices from 1930 onwards. Due to the fall in prices during the Depression, the burden of the debt increased enormously. The total value of agricultural production (principal crops) fell from Rs. 955 crores in 1928-29 to Rs. 545 crores in 1932-33. Correspondingly the burden of the existing debt increased apart from the newly incurred debt. According to an estimate by Dr. R. K. Mukerjee, the rural debt of India in 1935 was Rs. 1,200 crores. Another writer puts it at Rs. 2,300 crores.¹

During the Second World War prices of agricultural products rose and correspondingly the real burden of the debt decreased. It is difficult to say, however, how much of the debt was repaid, especially by the small holder who suffered more from inflation than he gained. "Judging from the replies received from a number of provinces," wrote the Bengal Famine Commission of 1945, "it appears probable that small holders as a class have not benefited materially."² Only a detailed inquiry could show the real effects of the war on the debt situation.

It was, however, not so much the amount of the debt but its unproductive character which made the problem so serious. According to the respective Provincial Banking Enquiry Committees, the percentage of unproductive debt to total debt in Bengal, U.P. and Bombay was 70% and in Madras 60%. According to Darling, in the Punjab only 5% of the debt was incurred for land improvement. Most of the balance must have been unproductive debt.

11 · 4 Consequences of Indebtedness

When an agriculturist borrows money for productive purposes, the result is increased income for him. The productive capacity of his land is enhanced and the debt becomes a blessing for him. But when the money is spent for unproductive purposes, the debt becomes

1. P. J. Thomas, *Economic Problems of Modern India*, Ed. R. K. Mukerjee, Vol. I, p. 176.

2. Bengal Famine Enquiry Commission, Final Report, p. 300.

a standing curse to him. It leads to serious economic, social and moral consequences.

As regards economic consequences, indebtedness leads to agricultural inefficiency. When the cultivator finds that all his additional efforts go merely to enrich his creditor, he loses all interest in improving his position by greater effort and improved methods of production. Productivity of land thus decreases. If the debt involves mortgaging and finally sale of landed property, the result is increase in tenant cultivation and increased number of landless labourers. Both of these developments do not conduce to agricultural progress and prosperity. In the marketing of his produce also, the peasant suffers if he is a debtor to the middleman. He usually has to sell his produce to his creditor on the latter's terms. This means not only lower monetary return to the debtor, but it also acts as a serious barrier in the way of improvement of marketing methods through co-operative sales. Thus, no agricultural progress is possible for an indebted peasantry.

As to the social consequences, class-friction arises between the creditor and debtor classes. The increase of a landless class with no avenues of employment creates further social discontent and political instability. That landless labourers were increasing in number, presumably as a result of sales against debt, was indicated by the fact that in India their number per 1,000 of cultivators increased from 291 to 407 in ten years between 1921 and 1930.

The moral consequences of indebtedness are the worst. The cultivator loses his ancestral property and in many cases with it his economic freedom. In certain provinces of pre-Partition India, cases of such servitude were not uncommon. In the Muzaffargarh District of the Punjab, for instance, the tenants were practically slaves of the money-lending landlords who exploited them thoroughly. In Bihar and Orissa what were called the Kamiauti agreements and in Madras the Pennaiyal system created conditions of practical servitude for the labourers. There workers, in return for a mere pittance, had to work on the land of those from whom they were unfortunate enough to have borrowed money. Once in debt, it was impossible for them to get out of it.¹

1. For details of the system, see *Economic Problems of Modern India*, op cit., p. 172,

11 · 5 Remedies Applied

The debt problem could be approached from three sides: (i) reduction or elimination of the existing debt; (ii) measures for regulation and control of private money-lending; (iii) creation of alternative agencies for rural finance.

It was obvious that unless the old existing debt (mostly ancestral) was got rid off, there was no hope of agricultural progress in the country. In some provinces of British India legislation was passed which included provisions for the declaration of insolvency under certain conditions. They also provided for the reduction and settlement of old debts on equitable bases for both parties. The problem was tackled in three ways: (a) Moratorium, (b) Liquidation and (c) Conciliation. Moratorium implied staying of proceeding in courts with regard to the recovery of debt. This method was used in U.P. (1932), C.P. (1934) and Bombay (1938), through legislation. Liquidation or compulsory scaling down of debts was enforced by several provinces and States through the passing of Relief Acts. Among these were Madras (1938), Bombay (1939), U.P. (1938) and Sind (1940). Debt conciliation legislation aimed at voluntary settlement between the debtor and the creditor with the help of specially constituted Conciliation Boards. Debt Conciliation Acts were passed in C.P. (1933), Punjab (1934), Begal (1935), and Sind (1939). As a result of these measures the amount of debt was considerably reduced in several provinces. For instance, in the Punjab by the end of 1943; claims amounting to Rs. 3·61 crores were scaled down to Rs. 1·38 crores by agreement. In Bengal by 1939 debts were scaled down by Rs. 5 crores. Where voluntary scaling down failed, compulsory scaling down was introduced. Such scaling down was justified because in many cases these debts were not *bona fide*. They were inflated through various fraudulent practices.

The second set of measure aimed at avoidance of future indebtedness. This was done in two ways. Firstly, by taking measures which would reduce the power of the peasant to borrow, by limiting his credit. Secondly, by putting restrictions on the money-lender, thus reducing his ability to lend. The borrowers' credit was reduced by putting restrictions on the transfer of land, e.g. Punjab Land Alienation Act with amendments; by putting restrictions on the attachment of other forms of property in payment of debts; for

implements and cattle necessary for tillage, and the material of the agriculturist's house. Restrictions on the money-lenders were of three kinds. Provisions were made by law for : (i) registration and licensing of money-lenders; (ii) compelling them to keep accounts and inform their debtors periodically of the debt position; (iii) miscellaneous provisions restricting money-lenders, like fixing of maximum rate of interest, protection of debtors from intimidation. The Registration and Licensing of Money-lenders Acts were passed in C.P., Bombay, U.P., Punjab and Bengal. These Acts made it compulsory for the money-lender to register himself and obtain a licence. Regulation of Accounts Acts were passed in several provinces like the Punjab and C.P. under which the money-lender was required to maintain regular account books and to furnish each of his debtors with periodic statements giving details of the latter's loan transactions and also to furnish receipts of the payments received by the money-lender. Rates of interest were fixed for secured and unsecured loans, in the case of simple as well as compound interest.

These measures were widely praised or criticised according to the interests of the party, being called "golden bills" or "black-bills" as the case may be. They no doubt led to the contraction of credit and made the money-lenders more careful in their dealings.

11 · 6 Post-Partition Position in Pakistan

Already before Partition the burden of debt on the peasantry in India had considerably been reduced. There had been a sharp rise in the price of agricultural products and the incomes of the peasants had gone up. The need for borrowing was smaller and the cultivator's capacity to repay his obligations was greater. Moreover, the real burden of the debt that remained was lighter due to high prices prevailing in the country. No statistics are available but presumably a good portion of the debt incurred in the past had been repaid even before Partition. The Partition brought its own consequences. Most of the money-lenders were Hindus or Sikhs who migrated to India and the obligations of the debtors were thus cancelled. But this does not mean that their entire lendings were a net loss to the creditors. In most cases the creditors had security of jewellery and other movable valuables, which they carried with them to their new homes. In any case rural indebtedness was no longer a pressing problem immediately after the Partition. Debt, however, was not entirely wiped out.

Moreover, needs, particularly of the incoming refugees, made them borrow, though the sources of these borrowings were not the same, as we shall see.

No comprehensive survey has been carried out since Partition to give us a full picture of the rural debt position as it developed in Pakistan after Independence. Some inquiries, however, were undertaken in both wings of the country which give some useful information about the extent, sources and purposes of rural indebtedness. Among these inquiries are:

(1) Punjab Board of Economic Enquiry Report on the Need and Supply of Credit in Rural Areas of the Punjab (1951).

(2) Socio-Economic Survey Board, University of Dacca: Rural Credit and Unemployment in East Pakistan (1956).

(3) Socio-Economic Research Project, University of the Panjab: Socio-Economic Survey of Six Villages of Lahore.

(4) Impact of Community Development on Economic Development, a project carried out for the ECAFE by the University of the Panjab (report unpublished).

In addition to these a number of village studies have been made by the Panjab University students relating to the problems of rural credit and indebtedness in various parts of the country. The data are rather fragmentary which differ in many respects from each other and it is dangerous to generalise.

The data of the Report produced by the Panjab Board of Economic Enquiry relate to the year 1949 when conditions were unsettled due to the effects of the Partition. Regarding the extent of the debt this inquiry estimated it at Rs. 28 crores for the Punjab province. Out of this debt two-third was incurred during the two and a half years following the Partition. Eighty per cent of this debt was incurred by classes directly dependent on agriculture. The average debt worked out to Rs. 414 per indebted family. Most of the debt was incurred by unproductive purposes.

The Socio-Economic Research Project of the University of the Panjab covers only six villages in Lahore District (as against a sample of 100 villages covered from the whole Punjab by the Project of the Board of Economic Enquiry). This inquiry has revealed that the average debt per indebted family was Rs. 450, varying from Rs. 229 per family of peasant-proprietors to Rs. 840 per family of peasant-

proprietor-cum-landlords. Seventy-five per cent of the peasant-proprietor-cum-tenant families, 54% of tenant of families and 33% of peasant-proprietor families were involved in debt. Again, the major portion of the debt (63·8%) was incurred for unproductive purposes, mainly for domestic needs.

The inquiry about the Effect of Community Development (V-AID) on Economic Development covered twelve village in all, six from the V-AID Project of the area of Kharian Tehsil of Gujrat District and six non-project area villages in the same region. It was found that average debt per family worked out to Rs. 226 in the project area and Rs. 460 in the non-project area. About 61% of the total debt incurred in the project villages was for productive purposes as against only about 30% in the non-project area. This means that normally the cultivator has a tendency to get into debt for unproductive purposes, but with proper guidance he can be persuaded to borrow more for productive purposes, and thus the real burden of his debt reduced. Inquiries in individual village carried out by students also indicate the same tends.

11·7 Legitimate Needs of the Agriculturist

To discourage unproductive borrowing it is necessary to know the legitimate needs of the cultivator, since borrow he must. More than half a century ago (in 1895) Sir Frederick Nicholson, in his famous Report entitled "Land and Agricultural Bank," wrote: "The lesson of universal history from Rome to Scotland is that an essential of agriculture is credit. Neither the condition of the country or the nature of the land tenure nor the position of agriculture affects the one great fact that the agriculturist must borrow." The fact is that every modern business worth the name is run on credit or borrowed money. Agriculture in Pakistan is not strictly run on business lines; still it cannot dispense with borrowing. Agriculture, especially in a country like ours, gives rise to certain peculiar problems of finance because of its uncertainties, its comparatively small unit of production, scattered nature of its operations and the illiteracy, conservatism and lack of forethought among the peasantry. This accounts for the fact that the problem of rural finance, as already noted by us, at one time became the problem of rural indebtedness. Certain circumstances connected with the war and Partition and the present high prices have given a breathing space to the cultivator, and the problem of

indebtedness is not so pressing as in earlier years. But the basic needs of the agriculturist are still there and some agency must undertake to supply these needs effectively, otherwise the problem may again emerge. What are these needs?

The agriculturist requires three types of credit to carry on his operations successfully:

- (a) *Long-term credit* (say, for a period of over five years) for expenditure on permanent improvements. These involve investment of capital in the water of rivers where necessary, construction of bunds and embankments, terracing of hill-sides, clearing of jungles, drainage and fencing of plots, etc. The larger irrigation works are constructed by the State in Pakistan and need little private investment for long periods. The finance required on other items of this category of expenditure is provided either by the cultivator himself from his own savings or through private borrowing, but, in the words of the Royal Commission, "the State has long recognised as one of its duties the encouragement of such improvements by the grant of loans at a rate of interest as low as conditions permit."¹ These are the well-known *taccavi* loans which we shall speak of later.
- (b) *Intermediate credit* (from one to five years). This the cultivator requires for the purchase of more expensive implements, cattle and sometimes for the erection of buildings. For these in the past he had mainly to resort to the private money-lender.
- (c) *Short-term credit* (up to one year). In addition to the above, the agriculturist requires money for financing his current requirements like the purchase of seed, fertilisers, feeding stuff for cattle, etc.

These requirements are for productive purposes and have to be looked after, if agriculture is to be carried on as a successful business proposition. These loans pay for themselves by increasing the productive powers of the land and the cultivator himself.

In Pakistan, however, in the past as we have seen, money has been borrowed for purposes which cannot be strictly called legitimate needs of agricultural production. These borrowings, sometimes, may

1. Report, Royal Commission on Agriculture in India, 1929, p. 461.

be necessary, for instance, when the cultivator has to spend on medical aid, or has to tide over a bad season, by borrowing for consumption, or is involved in some other unforeseen misfortune. Borrowings have not always been what may be called legitimate. Some peasants have got into debt through sheer improvidence and extravagance. They have spent money on expensive social ceremonies, on occasions of birth, circumcision, betrothal, marriage or funeral. In certain parts of the country, e.g. the former Punjab, such expenditures have been a serious cause of indebtedness.

One defect of the system of private money-lending as it developed during the British rule was that the money-lender made no distinction between the "legitimate" and the "illegitimate" demands for credit on the part of the peasant. The agency that takes his place must as far as possible distinguish between these two.

11 • 8 Sources of Credit

Before Independence, in Pakistan areas, as in other parts of India, the agencies that supplied credit to the agriculturists directly or indirectly were as under:

- (i) The village money-lender or the *Bania*, usually dealing directly with the peasants.
- (ii) The indigenous banker or the *Mahajan*, usually acting through intermediaries.
- (iii) Commercial banks like the Imperial Bank of India and joint-stock banks. These provided finance not directly to the cultivator but indirectly through intermediaries of various kinds.
- (iv) Government supplied credit under the Agricultural Improvement Act, 1883, and Agricultural Loans Act, 1884. These are known as *taccavi* loans.
- (v) The co-operative credit societies.
- (vi) The land-mortgage banks organised either on co-operative principles or joint-stock principles.

Since Partition there has been a change in the relative importance of these agencies, and some of them are inoperative in Pakistan. Available statistics are tabulated on the next page which show the relative importance of the various sources of credit in Pakistan. The last column relates to India and may serve for comparison.

It will be seen from the table that during the post-Partition period the greatest reliance has been put on relatives and friends

as a source of credit in all parts of Pakistan. Presumably, this has been "distress borrowing" during the period of unsettlement, particularly by those who migrated into the country. Others also have had to rely upon relatives and friends since their traditional source, the professional money-lender, has disappeared from the scene, particularly from West Pakistan. The table reveals how the contribution of money-lenders has become insignificant except in certain parts of East Pakistan. In contrast to this, in India this source still supplies about 70% of the total credit to the agriculturists.

As regards the other sources given in the table, "landlords and other well-to-do rural people" accounted for a substantial proportion of the total credit immediately after the Partition in the Punjab. But later inquiries show that this source has become very unimportant in this region. In East Pakistan this source is quite significant and so are village shopkeepers. Probably this is subsistence credit obtained in kind by the poor agriculturists in East Pakistan. A striking feature of the table is the comparatively small share of the co-operative in the loans advanced. This is regrettable in view of the great efforts made during the last about sixty years to popularise co-operatives credit. We shall come to this problem in greater detail in the next chapter. Credit advanced by the Government also has been on the whole insignificant.

It appears, therefore, that credit facilities to meet the needs of agriculture are both unstable and meagre. The system of rural finance, therefore, needs putting on a sound footing. Too much reliance on relatives and friends is neither desirable nor possible in the long run. Relatives and friends have lent in the past either to relieve distress under abnormal circumstances or perhaps with more practical purposes in view like inducing a mortgage, or, ultimately, a sale of the debtor's land in favour of the creditor. Either of these tendencies should not be encouraged because it will merely increase the number of landless labourers, a class whose economic and social condition is anything but enviable. If nothing is done perhaps professional money-lenders, as vicious as their old prototypes, will fill the vacuum, or the cultivator will be left to the mercy of village shopkeepers and market intermediaries who will exploit his need for consumer goods between harvests and cash at the time of the harvest.

11·9 State Credit for Agriculture

The possible institutions some of which may be considered prospective suppliers of rural credit, and which have been created so far, may be listed as under:

- (i) Government.
- (ii) Credit Co-operatives.
- (iii) Commercial Banks.
- (iv) Agricultural Finance Corporation.
- (v) Agricultural Bank.
- (vi) Agricultural Development Bank.

Credit co-operatives we shall consider in the next chapter. The other agencies are discussed below.

State credit is supplied through the Revenue Department of the Provincial Governments under the following legislative measures: (a) The Land Improvement Loans Act, 1883, and (b) the Agriculturists' Loan Act, 1884 (replaced by the West Pakistan Agriculturists' Loan Act, 1958, for West Pakistan only).

Under the Land Improvement Act, 1883, loans are granted for the following purposes:

- (i) Construction or repairs of wells, and works of storage, supply or distribution of water.
- (ii) Preparation of land for irrigation.
- (iii) Drainage, reclamation from the rivers or other waters or protection from floods, erosion, etc.
- (iv) Reclamation, clearance, enclosure, etc., of land for agricultural purposes.
- (v) Such other works as Government may from time to time declare to be improvements for the purposes of this Act.

Under the Agriculturists' Loan Act, funds are granted for purposes (i), (ii), (iii) given above and also for the relief of distress as well as for the purchase of seed, cattle, manure and agricultural implements.

These loans which are called *taccavi* loans in West Pakistan are given in cash. The period of repayment varies according to the purpose for which the credit is obtained. Security of land or other collaterals is demanded for the loans advanced for the land improvement purposes. In most cases a personal bond and in some a surety's signature is needed. In emergencies, however, loan is sanctioned after a simple inquiry. An interest of $5\frac{1}{2}\%$ per annum is charged on

taccavi loans in West Pakistan. During the twelve years ending 1958-59, Rs. 2.73 crores were advanced in West Pakistan under the Land Improvement Act and Rs. 5.87 crores under Agriculturists' Loan Act. The total recoveries during the same period were Rs. 91 lakhs and Rs. 3.6 crores respectively. In East Pakistan the money advanced has been even less. This comes to an average of less than Rs. 20 lakhs per year which is an insignificant amount as compared to the credit needs of the peasants which have recently been estimated by the Credit Enquiry Commission at Rs. 300 crores.¹

No doubt, *taccavi* loans have helped particularly in distress, but they cannot be relied upon for developmental purposes. Neither the staff of Revenue Department nor the Provincial Budget can bear this additional burden. While the present help, particularly in time of distress, is welcome, the procedure of granting loans needs improvement. Alternative institutional agencies, however, should be developed for the supply of development credit to the agricultural sector.

The Credit Enquiry Commission has suggested the following improvements in the State credit:

- (i) Amount advanced should be sufficient for the purpose for which it is intended and an attempt made to supervise its use;
- (ii) Delay in the grant of *taccavi* may be minimised; and
- (iii) The recovery procedure should be streamlined.²

The suggestions have been accepted in the Second Five-Year Plan.

11 · 10 Commercial Banks

Commercial banks constitute the most important organised credit agency in Pakistan, but their importance in the financing of agriculture is rather small. Their contribution to agricultural finance represents about 3½% of the total advances in the country. They have avoided agricultural finance for various reasons. Among these are the various legal and practical complications involved in mortgaging land and hypothecating standing crops for security for the loans, the large number and scattered nature of farming units, the difficulties in reaching deep into the interior, etc. They usually enter the stage when the agricultural produce is ready for marketing through the various intermediaries. We need not consider them, therefore, as

1. Report, Credit Enquiry Commission, 1959, p. 7.

2. Ibid., p. 18.

important prospective lenders to the agriculturists at the production stage of their operations.

11.11 Statutory Agricultural Credit Agencies—ADFC

Under this category may be included (i) the Agricultural Development Finance Corporation established in 1952, and (ii) the Agricultural Bank of Pakistan established in 1956. These two institutions have now been integrated into one, i.e. the Agricultural Development Bank, under the Agricultural Development Bank Ordinance (No. IV of 1961).

The Agricultural Development Finance Corporation (ADFC) was set up under the Agricultural Development Finance Corporation Act, 1952, in order to expand credit facilities and to promote development and modernisation of agriculture in Pakistan. It started business in March 1953.

The Corporation until recently has been providing long, medium and short-term credit to individuals, co-operative societies and other corporate bodies for agriculture and allied activities, like horticulture, forestry, fisheries, animal husbandry, poultry-keeping and dairy-farming.

It provided loans for the purchase of farming machinery, water-lifting equipment, improved seeds, fertilisers, provision of embankments, drainage and reclamation and for safeguarding against pests and diseases.

Loans were not to exceed Rs. 1 lakh in the case of an individual and Rs. 5 lakhs in the case of a corporate body. These conditions could, however, be relaxed by the Government up to Rs. 5 lakhs and Rs. 20 lakhs respectively. The Corporation made loans generally in kind and they were secured by mortgage of property if above Rs. 500 and by surety up to Rs. 500. The loans were recoverable up to a period of twenty years.

The Corporation operated under the general direction of a Board of seven Directors including the Managing Director who was a wholetime officer. It was an autonomous body except in the matter of policy in which it had to take guidance from the Government.

The Corporation had its head office at Karachi and seventeen branch offices, eight in East and nine in West Pakistan. The whole of its authorised capital of Rs. 5 crores was to be subscribed by the Government of which Rs. 3.75 crores had already been subscribed.

The Government had fixed 5% as the rate of interest to be charged by the Corporation on its loans and advances.

Up to 30th April, 1959, the Corporation had sanctioned Rs. 4.42 crores of which Rs. 2.01 crores were sanctioned in East Pakistan and Rs. 2.41 crores in West Pakistan. The loans sanctioned were only 22% of the total amount for which applications were received during the above period. The loans actually paid, however, came to only Rs. 12.41 crores or 12.1% of the total applied for and 54.5% of the loans sanctioned. The disparity between loans applied for and sanctioned has been attributed by the annual report of the Corporation, among other things, to the existing Provincial and State laws which placed restrictions on the mortgage of properties offered as security to the Corporation. The various Debtors' Acts operative in the Provinces also stood in the way. Then there were difficulties in the case of evacuee properties allotted to refugees who did not yet have permanent rights in them. The Provincial Governments, however, under direction from the Central Government, took action to get the Corporation free from the various hampering laws. The Central Government passed legislation in 1957 by which the Custodian of Evacuee Property could permit the right of mortgage to those lands. Some more difficulties, however, persisted. Among these were failure of borrowers in East Pakistan to produce mutated rent receipts in respect of property offered as security, lack of settlement records in that Province, import restrictions leading to inability to get the types of tractors and pumps suited to the requirements of the agriculturist.

The Corporation took some measures to simplify procedure for the grant of loans. This resulted in a heavy increase in the loans granted. Thus the amount sanctioned increased from Rs. 52.93 lakhs in 1956-57 to Rs. 144.76 lakhs in 1957-58 and Rs. 190 in 1958-59.

Regarding the character of the loans during the period 1953-54 to 1957-58, of the total sanctioned loans of Rs. 442.32 lakhs 53% were long-term loans (for five years and more). After 1956-57, however, medium-term loans (1½ to five years) predominated, but this was due to reclassification of loans—some short-term loans were classified as medium-term due to delay in recoveries. Sixty per cent of the total loans advanced during this year were constituted by four purposes—purchase of bullocks, equipment and machinery, tube-wells and other wells and for dairy-farming.

The dues of the Corporation were recoverable as arrears of land revenue. The ratio of recovery on the basis of monthly average percentage during 1958-59 was 72.5%. In East Pakistan the proportion was below average, i.e. 67%.

The Corporation was undergoing a net loss throughout its life. The total net loss up to the middle of 1959 came to Rs. 27.49 lakhs. Its overhead cost had been rather high. The basic difficulty, however, has been the nature of agriculture in the country and the weak socio-economic condition of the peasantry. Moreover, the Corporation started with the initial disadvantage of having to pay interest to the Government without earning profits which, however, was later waived with retrospective effect. If this payment is excluded, the net loss would be reduced to Rs. 10.92 lakhs.

Agricultural credit has special problems and risks, as we have already noted. There is not only the problem of getting adequate security but also of ensuring that the credit is not misused. Further, certain restrictive laws have hampered the operations of the Corporation as already noted, though the position in this respect improved in later years. The Central Government tried to assist the Corporation to achieve its objectives. For instance, it decided not to charge any interest on the capital. In spite of all efforts, however, the Corporation hardly touched the fringe of the problem of agricultural credit. Credit in Pakistan is needed under varying conditions at different times for different types of people. The number of offices of the Corporation were quite small. After the establishment of the Agricultural Bank the activities of the two institutions were co-ordinated on a territorial basis.

11.12 The Agricultural Bank of Pakistan

The Agricultural Bank of Pakistan came into existence on 9th September, 1957, under the Agricultural Bank Act, 1957, to provide increased credit to the agriculturists. Its necessity arose because the existing credit facilities were inadequate to meet the credit needs of the agricultural sector.

The object of the Bank was to give short, medium and long-term loans in cash or kind to agriculturists, co-operative societies and other corporate bodies of which the majority of the members were agriculturists. Besides the supply of credit the Bank provided storage and marketing facilities to the agriculturists and those engaged in activities allied to agriculture, such as horticulture, forestry, fisheries,

animal husbandry, dairy farming, poultry-farming, bee-keeping and sericulture. In addition to this, the Bank was also expected to arrange for the supply of better seeds, fertilisers and agricultural implements on credit. Moreover, it could also construct warehouses for its own use and provide financial assistance to its clients for providing warehousing facilities. The Bank also carried on its normal banking functions for taking necessary action to achieve its objective. It was specifically required to give preference to the credit needs of small agriculturists. It also provided facilities for training and research.

The business of the Bank was entrusted to a Board of Directors, consisting of a Managing Director, five Directors nominated by the Central Government, an official of the State Bank of Pakistan, four persons representing the Provincial Governments and two representing co-operative societies. The Chairman of the Board was appointed by the Government from among the Directors and so was the Managing Director, who was the Chief Executive Officer of the Bank. An Executive Committee, consisting of the Managing Director and three Directors, was empowered by the Board to deal with any matter within the latter's competence. The Bank had its head office in Karachi and the Provincial offices at Lahore and Dacca.

To avoid overlapping of the activities of the Bank with those of the Corporation, the two institutions functioned in different areas. Nine districts in East Pakistan and twenty-two in West Pakistan fell within the jurisdiction of the Bank. Up to the time of the merger the Bank had opened sixteen branches, eight in each wing of the country.

The Bank had an authorised share capital of Rs. 20 crores, of which Rs. 3·25 crores had been issued to start with and was subscribed by the Central Government (Rs. 2·0 crores), Provincial Governments (Rs. 50 lakhs each) and Co-operative Societies (Rs. 12 lakhs and Rs. 12·5 lakhs respectively in East and West Pakistan).

The branches in East Pakistan started business from 15th December, 1958, and in West Pakistan from the middle of April 1959. Up to the last week of June 1959 the branches in East Pakistan had sanctioned loans amounting to Rs. 30·06 lakhs of which Rs. 24·68 lakhs had been disbursed. In West Pakistan the total amount sanctioned up to June 1959 amounted to Rs. 8·52 lakhs of which Rs. 4·72 lakhs had been disbursed. The total amount outstanding at the end of June 1959 was about Rs. 29 lakhs. The bulk of the loans in East

Pakistan was seasonal and livestock loans and in West Pakistan they were largely advanced for development purposes. Like the Corporation the Bank also ran a deficit. It was of the order of Rs. 7 lakhs for the first seven months of its life ending March 1958 and of Rs. 5.64 lakhs for the quarter ending 13th June, 1959.

The Bank sanctioned loans for such items as tube-wells, tractors, orchards, etc. The loans were not disbursed at one time but in instalments in accordance with the actual needs of the borrowers.

One of the major difficulties the Bank had to face was the lack of trained personnel. To this problem the Bank gave its earliest attention. It established its own centres and in the meantime recruited its management staff from the State Bank of Pakistan's training scheme. Another difficulty was the absence of suitable buildings for housing the branch offices. This handicapped its expansion programme. Moreover, the restrictive land and debt laws hampered the business of the Bank. From these, however, exemptions were sought. Most of these difficulties were overcome, but there still remained some which hampered the Bank's loaning operations, e.g. time taken in the registration of deeds, lack of landed property with the borrower to offer as security, etc. Most of these properties were either co-shared or encumbered. In many cases the farmers did not possess clear records of their rights.

11.13 Findings of the Credit Enquiry Commission

The Agricultural Development Finance Corporation and the Agricultural Bank were variously criticised before the Credit Enquiry Commission appointed by the Martial Law Government in February 1959.¹ The main points of criticism included the complaint that

1. The terms of reference of this Commission were:

- (i) To examine the scope and working of the agencies which provide credit facilities to agriculture, business and industry.
- (ii) To suggest measures to meet the agricultural and urban credit requirements of the country by improving the existing facilities, and by creating new facilities where necessary, with special emphasis on agriculture, small business and industry.
- (iii) To examine what special measures are necessary in the credit field to ensure proper implementation of the land reforms recently approved by the Government.
- (iv) To examine the training facilities for banking within the country and to consider the feasibility of setting up an institution for such training.

The Commission was headed by the Governor of the State Bank of Pakistan (Mr. Abdul Qadir). The Report of the Commission was submitted in September 1959.

they had failed to create any impact on the rural credit situation, that their procedural requirements seriously delayed the sanctioning and disbursement of funds, that credit was mainly confined to the propertied elements, because of the statutory requirements that loans be secured by the mortgage of land or the guarantee of the landlord, that cost of borrowing was high due to expenses of travel involved, loss of income due to absence, and charges of petty officials. Some witnesses regarded the rate of interest charged (5%) as too high. Others held that the existing territorial divisions between the two institutions created confusion and resulted in inefficiency in their operations.

In the opinion of the Commission much of this criticism was derived from insufficient appreciation of the formidable handicaps under which these institutions have been required to operate.¹ Their finding was that "a number of legal and administrative restrictions together with the requirements of their own statutes and the paucity of trained personnel have hampered these institutions from the outset."² The Commission was of the view that unless prompt recoveries of loans were ensured the procedure could not be simplified or relaxed. To remove impediments to the recovery of loans they recommended that, in East Pakistan, district revenue officials should be empowered to recover the dues of the credit agencies directly from the defaulters without the necessity of going through the procedure under the Public Demands Recovery Act. They also suggested that rewards should be paid by the credit agencies to Tehsil/Sub-Division staff where recoveries are maintained above certain levels. After recoveries are assured procedure could be simplified for which the Commission recommended revising of the application form. They further recommended special efforts to be made to reduce the borrowers' dependence on local officials in meeting the applicants' requirements, raising of the limit of loans against personal security from Rs. 500 to Rs. 1,000, simplification of the procedure of ascertaining the solvency of the surety, fixing of the produce not subject to attachment against debts, reduction of formalities in connection with mortgaging of land through issue of pass books to land-owners containing full information regarding their landed property, etc.

They considered the merger of the Agricultural Development

1. Report, op. cit., p. 76.

2. Ibid.

Finance Corporation and the Agricultural Bank to be the ideal solution. But in view of their fear of dislocation in the supply of credit in the transition to a new institution, which was not desirable in view of the implementation of the land reforms and reorganisation of the Co-operative Banks as suggested by them, the Commission recommended the appointment of an expert committee at the end of two years to work out detailed plans for the establishment of the new institution. To widen the scope of activities of the two agencies, the Commission recommended that they should accept deposits and provide remittance facilities. Further, they recommended an amendment of the statute to permit financing of cottage industries in rural areas. They were of the view that in matters of credit policies the agencies should be under the control of the State Bank of Pakistan, while they should continue to be subject to the Central Government's direction so far as administrative and non-credit policies are concerned.

11 · 14 The Agricultural Development Bank

We have seen that the Credit Enquiry Commission regarded the merger of the PAFC and PAB as the ideal solution to meet the criticism levied against these institutions. The Second Five-Year Plan also repeated this recommendation. This principle was accepted by the Government and the merger took place when the new institution, "The Agricultural Development Bank of Pakistan," was established under the Agricultural Development Bank Ordinance, 1961, published on 11th February, 1961. This Bank was established "to replace the Agricultural Development Finance Corporation and the Agricultural Bank of Pakistan, and to make better provision for affording credit-facilities to agriculturists and to persons engaged in cottage industries in the rural areas and for matters connected therewith."¹

The Bank has a share capital of Rs. 20 crores divided into 20 lakh fully paid-up shares of the nominal value of Rs. 100 each to be issued by the Bank from time to time with the previous approval of the Central Government. Not less than 51% of the shares issued at any time shall be subscribed for by the Central Government and the remaining shall be offered to Provincial Governments, Co-operative Societies and members of the public for subscription in such proportion and on such terms as may be determined by the Central Government from time to time.

1. Gazette of Pakistan, dated 11th February, 1961, p. 1.

The head office of the Bank is at Karachi but can be shifted to any other place as directed by the Central Government. Its regional offices at present are at Rawalpindi, Lahore, Sukkur, Sylhet, Dacca and Rajshahi.

The general direction and superintendence of affairs of the Bank are entrusted to a Board of Directors consisting of the Chairman (appointed by the Central Government), two officers of the Central Government, one each nominated by the two Provincial Governments, two non-officials, one from each wing, nominated by the Central Government in consultation with the Provincial Government concerned, and such other person or persons considered necessary by the Central Government to represent Co-operative Societies and members of the public holding shares of the Bank.

The Chairman (a wholetime officer), appointed for five years, is the Chief Executive Officer of the Bank and directs and controls all affairs of the Bank on behalf of the Board, subject to rules as framed by the Central Government.

There is an Executive Committee consisting of the Chairman and three Directors of whom at least one must belong to each of the two wings of the country. The members of the Executive Committee other than the Chairman are elected by the Board. There is an Advisory Committee appointed from each region with the approval of the Central Government. The Bank may also appoint a Technical Advisory Committee for advice on technical matters.

11 · 15 Business and Functions of the Bank

The Bank provides credit in cash or in kind to agriculturists for the purpose of agriculture and to persons engaged in cottage industries in rural areas. The Bank can transact the following kinds of business:

- (a) Accepting money on deposit.
- (b) Borrowing money for the purpose of the Bank's business against the security of assets or otherwise.
- (c) Issuing and selling of bonds and debentures.
- (d) For the purpose of securing its loans and advances, accepting pledges, mortgages, hypothecation or assignment of any kind of movable or immovable property or unconditional bank guarantee of a scheduled bank, or drawing, accepting, discounting, buying and selling or rediscounting bills of exchange and promissory notes bearing two or more good signatures, one of them being that of a scheduled bank or a

co-operative bank, or other negotiable instruments. It is provided, however, where a loan not exceeding Rs. 1,000 is made to an individual agriculturist, it may be secured by a bond with one or more sureties as the Bank may deem necessary, if such an agriculturist makes an agreement with the Bank creating a charge on any of his specified properties as a security.

- (e) Buying, stocking and supplying on credit seeds, agricultural machinery, implements and equipment, fertilisers and other material used in agriculture and acting as agent for any organisation for the sale of such goods.
- (f) Subscribing to the debentures (repayable within ten years) of any corporate body concerned with agriculture or financing agriculture or the financing of cottage industries in rural areas.
- (g) Having custody of valuables, like gold ornaments, jewellery, securities, etc., or collecting of interest or principal on such securities, administration of estates as executor or trustee, etc., remittance of money and securities, acquiring movable or immovable properties, taking over of business of other banks or financial corporations, acting as agent of other banks or financial corporations, investing funds in Government securities, selling of all properties and doing all such acts and things as may be conducive to the attainment of the objectives of the Bank.

Notwithstanding anything stated above, any loan guaranteed by the Central Government or Provincial Governments may be made without any specific security.

The Ordinance establishing the Bank makes it lawful for any agriculturist or person engaged in a cottage industry in rural areas to pledge, mortgage, hypothecate or assign any movable or immovable property to the Bank to secure loans taken from the Bank.

The Bank is allowed to undertake any research on agricultural credit, marketing, cottage industry, etc., and make arrangements for training facilities for the benefit of its personnel.

In transacting its business the Bank is required, as far as possible, to give preference to the credit needs of small agriculturists.

The Ordinance lists businesses which the Bank is prohibited to

undertake in order to ensure that it will keep its financial foundations sound.

Provision is made for the Bank to see that the loan is spent for the purpose for which it is made and in certain circumstances the Bank may require the repayment of the loan forthwith. Further, provisions are made for the recovery of Bank's dues which are recoverable as arrears of land revenue.

The Bank is required to establish a fund called the General Reserve Fund and to create from time to time such other funds as the Central Government may direct. Detailed provisions are also made regarding the disposal of the profit and auditing the accounts of the Bank. A percentage on the net profit as determined by the Board from year to year must be transferred to the General Reserve Fund, until it becomes equal to the subscribed share capital of the Bank. The remaining profit can be utilised for paying a dividend to the shareholders, which is not to exceed 5% per annum. Any balance left after these payments may be transferred to any other reserves which may be created.

The establishment of the Bank as a substitute for the statutory agencies has met much of the criticism levied against the latter. The duplication involved has been eliminated and ultimate control has been centralised in one agency. There will, however, be considerable decentralisation to meet local requirements and needs. The scope of the business of the new institution has been widened and particular attention has been paid to the needs of the small agriculturist. Various legal restrictions which clogged the operations of the older credit agencies and delayed the granting of loans have been relaxed and the process of recovery of loans has been improved. Loans on personal surety have been liberalised. It is hoped, therefore, that the new institution will be a more effective instrument of providing agricultural credit. The Bank should, however, supplement rather than supplant the Co-operative Societies as sources of credit. As recommended by the Second Plan, it should "concentrate on long-term finance and the Co-operative Societies meet the short-term and medium-term requirements of the farms."¹

The idea of the "pass book" proposed by the Credit Commission, however, has not been implemented. The proposal is that a pass

1. *Second Plan*, op. cit., p. 81.

book printed on security paper should be supplied to every land-owner who might apply for a loan. It should contain a certified copy of records pertaining to his land, including any encumbrances thereon and should provide information regarding the value of land in question. On this book should be entered all mutations arising out of transfers, made before a Sub-Registrar, partitions, inheritance cases, etc. It should contain space for recording all borrowing and repayment transactions. Such a document can serve many purposes. It is an identification card, a certified copy of title to the land, a guide to the owner's credit-worthiness and a complete record of his dealings with the credit agency. When the credit is taken the pass book may be deposited with the lending agency and this deposit may be treated as equivalent to the execution of a mortgage. This appears to us a very useful suggestion and its adoption will simplify the procedure of granting loans apart from other advantages. It is hoped that the Government will adopt it in due course of time.

11 · 16 The Problem of Non-Subsistence Land-holders

So far we have been assuming that the agriculturists who need credit are credit-worthy in the sense that they have the capacity to repay the loans from the produce of their land. But this is not the case for a very large proportion of farmers. The Credit Enquiry Commission has estimated that almost 50% of owner-cultivators in West Pakistan and 60% in East Pakistan are probably operating on less than subsistence holdings. Their number will grow with the rise in population. But it must be remembered that the area of a subsistence holding is not fixed and immutable for all times, it being directly related to the productivity of the land. If through the proper use of better agricultural techniques yield per acre could be increased, non-subsistence holdings could be transformed into subsistence holdings. Therefore, potentially these holdings, at any rate a high proportion of them, could be regarded as economically viable. In the words of the Credit Enquiry Commission: "For their cultivators to become credit-worthy there are two prerequisites: (a) there must be arrangements for ensuring that the credit is productively used, and (b) a measure of co-operative effort is engendered." By the co-operative effort, the Commission implies not grouping these farmers into ordinary Co-operative Credit Societies, but some sort of co-operative farming. We shall discuss the possibilities of co-operative farming

in Pakistan in the next chapter under Co-operation. As regards the first requisite considered by the Commission, it implies some kind of supervised credit which is discussed in the following section. Here we may mention some other valuable suggestions made by the Commission in this connection. These are:

- (i) Removal of legal restrictions on hypothecation of crops. Under section 61 of the Civil Procedure Code, Provincial Governments can exempt such portions of the agricultural produce from attachment for debts as are regarded necessary for providing subsistence to the cultivator until the next harvest. In East Pakistan this proportion is not specified beforehand and is determined on the basis of individual circumstances. Under section 10 of the Punjab Debtors' Protection Act, standing crops, other than cotton and sugarcane, are not liable to attachment for sale in the execution of a decree. Such a restriction tends to debar institutional credit agencies from extending credit to individual small holders. They should be removed, but some reasonable safeguards must be adopted.
- (ii) Another suggestion is that loans may also be extended to individual borrowers on the personal surety of more substantial farmers and a more flexible attitude should be adopted in the matter of the timing of the repayments.
- (iii) The *khaikhalashi* method of finance involving the grant of credit against the usufructuary mortgage of land, which has been successfully tried on a limited scale in East Pakistan, should be extended. Under this system what are known *khaikhalashi* banks advance loans to small agriculturists against land which is mortgaged for a sum approximately equal to the value of one year's total produce. "The mortgagee obtains possession of the land for a period not exceeding fifteen years. The mortgagor usually continues to cultivate the land on the *burga* system, i.e. on a share-cropping basis. The borrower on being reduced to a tenant becomes entitled only to half the produce for fifteen years." The present practice is that after meeting establishment expenses at $2\frac{1}{2}\%$, interest at $6\frac{1}{2}\%$ and repayment of principal at $6\frac{1}{2}\%$, the remainder

is allowed to accumulate to the credit of the borrower and out of this saving short-term loans are granted to the borrower. After the end of fifteen years, in addition to his land the borrower gets a tidy sum of money which may protect him from getting into debt in the future. The borrower can, if he likes, terminate the mortgage at any time by paying the entire sum with interest. These banks have so far been established as Co-operative Societies. In spite of some weaknesses of the system, the experiment needs to be continued and extended.

- (iv) In spite of all precautions in the case of such farmers, bad debts or losses are bound to occur. The Co-operative Societies are not in a position to bear them, because so many millions of farmers are involved. The Commission suggested that such losses must be met by the community as a whole through taxes paid to the Government. It is, therefore, recommended that such loans should be guaranteed against losses by the Government up to a prescribed percentage of the losses sustained by the lending agency whether it is a Co-operative Society or a statutory credit agency.

11 : 17 Supervised Credit

The concept of supervised credit was first evolved in the 1930's when the Farm Security Administration of U.S.A. adopted this system of lending to assist the low-income and financially embarrassed farmers during the Great Depression. Since then it has been successfully adopted by some of the South American countries for meeting the credit needs of low-income farmers. It has been recently discussed as a possible method of helping the subsistence farmers in Pakistan.

The basic idea behind this scheme is that if technology and credit are supplied together under proper supervision, even the subsistence farmers can be made credit-worthy and their productivity and living standards markedly improved.

The distinguishing features of this system of providing credit are: (a) It involves supervision and control of how credit is used. (b) Prospects of increasing productivity is the primary consideration and the offer of material security for loans is only secondary. (c) The lending agency does not merely supply funds, it also helps in

planning of the farmer's business operations as well as family living expenditure. (d) The lending agency sees to it that the farmer follows improved farming techniques. (e) It is given mainly to meet the short and intermediate-term needs and only in exceptional cases long-term loans are granted to purchase land, etc. (f) Loans are usually given in kind rather than in cash.

The main objectives of the supervised credit are:]

- (i) To make available credit facilities to farmers who are not usually regarded as credit-worthy by the lending institutions, because of the small unit of their farming, lack of adequate security in the form of land and other collaterals, and whose repayment capacity is low.
- (ii) To encourage the use of better techniques among farmers who otherwise fail to adopt such techniques due to ignorance, conservatism or lack of financial resources.
- (iii) To create self-confidence in farmers facing financial difficulties due either to an emergency or initially to low financial resources.
- (iv) To turn non-credit-worthy farmers into credit-worthy farmers through increasing their productive powers.

The system is based on the assumption that every farmer is of national importance and it is the responsibility of the nation that he is kept productively busy whether he is credit-worthy or not in the usual business sense. Even a grant-in-aid is justified, if necessary, though its account should be kept separate and not mixed up with the lending operations. Hence it is that the role of the State is specially stressed in this connection. The system may prove expensive in the ordinary business sense. But it may be in national interests to let the extra expense, up to a reasonable limit, be borne by the taxpayer. In the long run, however, it pays for itself through increased productivity and other advantages contributing to the national welfare.

To work the system fruitfully and successfully, however, certain conditions must be satisfied:

- (a) There must be a lending agency able and willing to advance loans on the basis of future prospects of increased productivity rather than material security. Such an agency must necessarily be a Government or semi-Government body.
- (b) There must be agricultural technicians of the requisite

calibre and in adequate numbers to advise and supervise in the matter of the use of credit and agricultural techniques. Such experts are the backbone of the system. The qualifications of a technician of this kind have been described as follows by a competent authority: "A farm technician should have a good foundation in both physical and social sciences. Specially he should have training in the various phases of supervised credit as well as in such subjects as soils, crops, pest control, livestock diseases, demonstration of improved methods of farming, planning, analysis of farm business, determining the earning capacity of a farm, rural social psychology, rural banking and a broad understanding of how to work smoothly with rural families."¹

- (c) There must be agricultural techniques, of proved efficiency, fitted for the conditions of the country concerned which can be passed on to the farmer by the agricultural technician. Further, the supply of improved seed, fertilisers, implements and pesticides, etc., must be made available in adequate quantities at places where they are to be used.
- (d) Farmers must be willing to co-operate with the advising and supervising agency. This of course can be enforced by the lending agency by refusing to lend or withdrawing credits from the non-co-operating farmers.

Now as regards the possibility of introducing such a system in Pakistan. There is no doubt regarding the need and usefulness of supervised credit in Pakistan. As we have seen, in this country from one-half to about two-third of the farmers have been estimated as subsistence farmers. These cannot be considered credit-worthy in the usual banking sense. They till small and normally uneconomic holdings scattered all over the country. They are not easily accessible to the ordinary banking institutions. They have little security to offer. Even those who have land cannot be deprived of it either legally or on practical considerations. Nor can their bullocks, implements or crops be attached in lieu of payment of loans. They may be genuinely victims of calamities, like drought, floods, insect pests, etc. They sometimes need funds even for their day-to-day domestic needs

1, *Source*: State Bank of Pakistan.

which are legitimate. If such farmers could be helped through advancing of adequate credit and were also advised regarding the use and discipline of use and repayment enforced, they could produce more and become economically solvent.

The average Pakistani farmer is quite intelligent and in many cases quite shrewd. He knows which side his bread is buttered. Once he knows that a course of action will give more and better crops, he is willing to follow it. But he must be convinced of the *bona fides* of the party making the suggestion. In the past he has had long experience of the exploitation on the part of the representatives of administration. This has made him suspicious and mistrustful. And this is not always without reason. The Government servants entrusted with the welfare of rural people have in most cases acted as awe-inspiring officers rather than sympathetic friends interested in the welfare of the farmers. A change is coming in the attitude of the administrators but it is painfully slow. Before we can expect full co-operation from the farmers, therefore, we must ensure that the advising and supervising agency is of the requisite standard in technical and human qualifications to inspire confidence in the minds of the recipients of such advice.

And here lies the chief bottleneck. There is great paucity of technically qualified persons in Pakistan who could assume this responsibility. The Credit Enquiry Commission mentioned the V-AID worker in this connection. It is doubtful that a person of his intellectual level, technical knowledge and experience could deliver the goods. Nor is the Moqaddam, of the Department of Agriculture, who is the lowest in the official hierarchy of the Agriculture Department, a suitable agency to serve the purpose. His prestige is even lower than that of the V-AID worker. People of this level could perhaps assist the agricultural technician in routine matters.

The agricultural technician would have to be a person of the technical level of the present Agricultural Assistant, with some further training in the human side of his duties. But the number of people of this level is at present very limited. Until they are available in adequate numbers it will be wiser to introduce the system of supervised credit on the limited scale. To start with, areas should be selected where conditions are most favourable, so that they may serve as models to inspire the farmers of other areas with the desire to follow similar

methods.

Finally as regards the agency to supply the funds. The commercial banks, for reasons already noted, will never undertake this type of lending. The Co-operative Societies have neither the funds nor the technical competence to do it for the time being. These, however, may act as channels through which the farmer may be approached. Nor can the Government undertake it directly under the Agricultural Improvement and Agriculturists' Loans Acts. The Provincial Budget would not allow it. Nor has the Government the proper machinery of administration needed for this purpose. The only agency fitted for this task is the Agricultural Development Bank which has recently replaced the Agricultural Finance Corporation and the Agricultural Bank. The scope of its activities should be expanded in due course to cover the entire country. The Government, however, will have to underwrite losses suffered by the Bank on this account up to a specified limit.

11 · 18 Role of the State Bank in Agricultural Finance

At this stage it is necessary to say a few words about the role of the State Bank in the sphere of agricultural finance. We shall study the constitution and functions of the State Bank of Pakistan in our chapter on Banking in the second volume of this work. Here it may be noted that the State Bank in its capacity as the central bank of the country has the responsibility for ensuring the monetary stability in the country and the fuller utilisation of its productive resources. To achieve these ends, it has to pursue appropriate credit policies. With the same object it supervises the working of credit agencies to ensure sound and efficient lending practices. Moreover, like every other central bank, it is vested with the responsibility of being the lender of the last resort. Apart from the traditional functions the State Bank, as the central bank of an underdeveloped country, has found it necessary to take special measures to promote an institutional framework for catering to the needs of different sectors of the economy including the agricultural sector.

The State Bank was established under the State Bank of Pakistan Order, 1948. To assist in the financing of agriculture it was allowed to advance short-term loans to provincial co-operative banks up to a period of nine months only. The State Bank Act of 1956 considerably extended the role of the State Bank with respect to

agricultural finance. Under this Act the State Bank has been allowed to give various types of assistance to the co-operative banks and for longer periods than before. Apart from this it has been empowered to make funds available to any institution or bank specifically established for promoting agricultural development in the country. The Act of 1956 was again amended recently. Now the Bank can purchase, hold and sell shares and debentures of any banking company established to promote the economic development of a specified area and also any corporation established for the purpose of promoting agricultural development in the country.

Under the State Bank Act of 1956, credit facilities are provided to co-operative banks and other institutions for the financing of agricultural commodities, and financing of agricultural development as under:

(1) Short-term loans for a maximum period of fifteen months are provided for financing seasonal agricultural operations and the marketing of agricultural commodities. Such loans are made available by rediscounting bills of exchange and promissory notes bearing two good signatures, one of which must be that of a scheduled bank.

(2) Short-term loans and advances repayable on demand or for fixed periods not exceeding ninety days are granted against:

(a) Promissory notes and bills of exchange as are eligible for rediscount.

(b) Promissory notes of a scheduled bank supported by documents of title to goods, such documents having been transferred, assigned or pledged to any such bank as security for cash credit or overdraft, granted for the purpose of financing seasonal agricultural operations or the marketing of the crops.

(c) Trustee securities.

(3) Medium-term loans for periods up to five years provided for the financing of agriculture or of agricultural or animal produce against promissory notes bearing two good signatures, one of which must be that of a scheduled bank or any corporation approved by the Central Government.

(4) Credit facilities are also made available to institutions or banks specially established for the purpose of promoting agricultural development in the country, on terms and conditions as determined

from time to time by the Central Board of Directors.

A Rural Credit Fund has recently been created by the State Bank with an initial capital of Rs. 1 crore for grant of loans and advances to co-operative banks and rural credit agencies.

The State Bank gives the concession of charging a lower rate of interest to co-operative banks than rates charged from commercial banks.

Under section 37 of the Act, provision has been made for scheduling of the co-operative banks. This removes the distinction between the co-operative banks and scheduled banks thus enabling the former to enjoy all the facilities available to the latter. In the matter of remittance facilities the co-operative banks not only enjoy them equally with the scheduled banks, but the rates charged for small transfers are lower than those charged from commercial banks. For purposes of remittance central co-operative banks are treated as branches of the provincial co-operative banks. In order to improve the working of co-operative banks the State Bank maintains an organisation for their inspection. Reports of such inspections are forwarded to the Registrar of Co-operative Societies with suggestions for improvement where necessary. The State Bank also helps the co-operative banks in obtaining the services of trained staff and gives financial assistance for training their staff.

As required by the State Bank Act, 1956, the Bank has organised a special Agricultural Credit Department the statutory functions of which are:

- (a) To maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Central Government, provincial co-operative banks and other organisations.
- (b) To co-ordinate the operations of the Bank in connection with agricultural credit and its relation with the Provincial co-operative banks and any other organisation engaged in the business of agricultural credit.

The State Bank is greatly interested in encouraging research in rural problems, particularly those connected with the credit system. It has given financial assistance to the universities in both the wings for carrying out socio-economic and other surveys.

11 · 19 The Second Plan on Rural Credit

The Second Plan makes the following proposals in connection with improving rural credit facilities:

(1) Provides for the rehabilitation as well as further development of the co-operative movement at all levels. The main effort is to be concentrated on the development of primary societies. "The best prospect of solving the problem of rural credit lies in setting up co-operatives."¹

(2) Until co-operatives cover the entire country, *taccavi* loans will continue. During the Plan period they will be extended mainly to four types of areas: (i) where co-operative societies do not exist and are not likely to be established; (ii) where offices of the Agricultural Corporation or Agricultural Bank (now Agricultural Development Bank) do not exist; (iii) where colonisation is in progress but co-operative societies have not been or are not likely to be established; (iv) in special cases in areas where land reforms are being implemented. The Plan recommends simplification of the procedure of getting loans and measures for making recoveries more effective.

(3) The Agricultural Bank and the AFC to be amalgamated into a new institution which should open branches in both the wings where co-operative societies are non-existent or where there are no immediate prospects of their being established. The Bank is to supplement, not supplant, the co-operatives.

(4) Rationalisation of the rate of interest charged by various credit agencies. In principle loans should be extended at a rate of interest which should enable the societies to cover the cost of administration, losses due to bad debts and other liabilities.

(5) A National Credit Survey as recommended in the First Plan to be carried out in order to obtain adequate and accurate data on all aspects of the problem.

(6) Establishment of a warehousing corporation as recommended by the First Plan and also by the Credit Enquiry Commission which should build godowns where necessary giving first priority to areas served by Co-operative Marketing Societies and the Agricultural Bank.

(7) Establishment of co-operative colleges in each wing for the

training of personnel. A provision of Rs. 200 millions is made for the development of rural credit—East Pakistan Rs. 70 millions, West Pakistan Rs. 40 millions, Centre Rs. 90 millions.

11 · 20 Concluding Remarks

In conclusion it may be added that, without a properly organised agricultural credit system, the agricultural sector of Pakistan cannot achieve the necessary level of progress required for a developing country. The present needs of agricultural credit are much ahead of the existing supplies and as population grows and economic development proceeds, the exchange sector of the economy will expand and so will the need for agricultural credit. One of the primary tasks of those who wish to establish an effective and efficient agricultural credit system in the country is to make the agricultural borrower realise the importance as well as the responsibility attached to agricultural credit. He must be made to distinguish between productive and unproductive use of credit. He must be made to realise that borrowed money must be used in such a way as to create the means for the repayment of the sums borrowed and that where credit can be productive there should be no hesitation in using it. This is a process of education and will achieve results in adequate measures slowly, but it is worthwhile to give it the necessary emphasis.

The second important problem is connected with the type of organisation which can meet the needs of credit supply under the conditions prevailing in Pakistan. The agricultural producers are men of comparatively small means and are scattered all over the country. Their degree of credit-worthiness is rather low and their profession is subject to many hazards beyond human control. The majority of the people are ignorant, illiterate and tradition-bound. They can be easily exploited because of their pressing needs and lack of reserve power, as was done by the unscrupulous private money-lender during the British period. The organisation which supplies credit to such people must on the one hand be intimately connected with the life of the people at the village level, so that it is in a position to scrutinise the credit-worthiness of the individuals and supervise the way the borrowed funds are being utilised. On the other hand, it should have an ultimate central control at the provincial, if not the national, level, for the sake of uniformity of policy, co-ordination of credit with other needs and activities of the peasants and ulti-

mate sanction to enforce, if necessary, a sense of responsibility on the borrowers. The co-operative society as the unit at the village level with appropriate bodies controlling, supervising and assisting it, at the district, the provincial and the national levels, should have been the ideal agency. But co-operation to be successful requires certain pre-conditions which so far have not existed in the country in adequate measures. We shall come to this subject in the next chapter. So long as people do not become co-operation-minded the Government will have to play a greater role and create public bodies and agencies, not only to serve as supplements to the co-operative societies but also to help them to be put on sound and secure foundations. For some time to come, quite a large proportion of the farmers, the so-called marginal farmers, will have to be supplied with what may be called "subsidised credit," i.e. credit on nominal rates of interest. But this must be done under strict supervision to avoid its wasteful use. Some kind of a community development programme (now that V-AID as such has gone) must act as a medium through which not only the necessary educational process could be channelled, but also could serve as a medium for supervised credit. It should be realised that the problem of credit is not an isolated problem, nor should it be treated as such. It is intimately associated with the process of production and of marketing. Attempts to supply credit should go hand in hand with the efforts to make the borrowing farmer credit-worthy, by taking appropriate measures to increase the productive power of his land and labour.

CHAPTER 12

Co-operation

12 · 1 Co-operation—a Compromise

The world to-day is torn between two ideologies. The one has reached its high watermark in the American industrial system and the other has manifested itself in the Socialist State of the U.S.S.R. The former system is commonly known as Capitalism and the latter Communism. Neither of these systems is a pure embodiment of what its theory claims. But they have definite characteristics of their own which distinguish the one from the other.

Capitalism is based on private ownership of the means of production and freedom of private enterprise. The pivot of this system is the profit motive which moves individuals to labour, to organise and to take risks. Though monopolistic organisations have developed in various fields and economic life is controlled and regulated by the State in diverse ways, on the whole the system allows free competition in economic matter. Prices, wages, interest, profit and rent are all determined under more or less free operation of the forces of supply and demand, within the legal framework established by the State. Individual freedom has been claimed as the greatest boon of this system, even though such freedom involves economic insecurity for the less fortunate.

Soviet Communism, on the other hand, is based on socialisation of the means of production and does not permit free enterprise. Production is carried on under a planned system enforced by the sovereign power of the State, exercised through a virtual dictatorship

of the Communist Party, which is a minority of the population. Each man must find his place as indicated by the exigencies of the plan. The system seriously encroaches upon individual freedom though it ensures employment and care in sickness and old age and thus grants the maximum of economic security.

Both the systems have their weak and strong points. There is a growing body of opinion; however, which regards both of them as undesirable extremes. It is suggested that a combination of the best characteristics of Capitalism and Communism could be achieved if economic life of a community were to be organised on co-operative lines. Under such a system individual freedom and private property in the means of production could be preserved without the concentration of economic power which is the bane of Capitalism. On the other hand, instead of the personal greed encouraged by a system run on profit motive, a sense of collective good could be inculcated among the people without the regimentation of their lives involved under a full-fledged socialistic society. In this chapter we propose to study the application of the co-operative principle in the various fields in the sub-continent of India in the past and its possibilities as an instrument and agency in the planning of economic development of Pakistan.

12 • 2 What is Co-operation¹

Says a well-known authority on Co-operation: "Every group of individuals associated to secure a common end by joint effort may be said to co-operate; for instance, a football team, a gang of robbers, or the share-holders of a speculative company. A century of history has given to Co-operation with a capital "C" a more precise meaning. It

1. Some oft-quoted definitions of Co-operation are given below:

(i) "The theory of co-operation is very briefly that an isolated and powerless individual can, by association with others and by moral development and mutual support, obtain in his own degree the material advantages available to wealthy or powerful persons, and thereby develop himself to the fullest extent of his natural abilities. By the union of forces material advancement is secured, and by united action self-reliance is fostered, and it is from the interaction of these influences that it is hoped to attain the effective realisation of the higher and more prosperous standard of life which has been characterised as better business, better farming and better living"—MacLagan Committee Report, para 2.

(ii) "Co-operation is the act of persons, voluntarily united, of utilising reciprocally their own forces, resources, or both, under mutual management to common profit or loss"—Harricks, *Rural Credits*, quoted by Calvert, *The Law and Principles of Co-operation*, p. 12.

(iii) "Co-operation is self-help made effective by organisation"—Plunket, *Co-operation*, p. 7.

indicates the association of individuals to secure a common economic end by honest means; it is also essential in many forms of co-operation that the individuals possess a personal knowledge of one another."

"The basis of association," continues the same writer, "is (i) voluntary, (ii) democratic: voluntary, because those only enter it who feel the economic need at which it aims . . . ; democratic, because those who feel a real need will be men of modest status, who, if only the honest are admitted, will not resent equality, will in fact meet most easily on an equal footing."¹

Thus three characteristics of a co-operative society are notable: (a) it is voluntary, (b) it is democratic, and (c) the moral element in its aims is as important as the material.

Co-operation is voluntary because no person is forced to become a member of a co-operative society. He becomes a member only if he himself feels that joining the society will be to his good. Co-operation gives economic security through self-help without external pressure. "Economic security could conceivably exist with a high degree of material prosperity in the slave state but at the price of slavery."²

Co-operation is democratic because a co-operative society functions through a committee elected by members on the basis of "one man, one vote." The membership of a co-operative organisation is open to anyone who wishes to join it and can derive benefit from it. In the distribution of the profits also the democratic principle is preserved. Only a limited amount of profit accrues to those who contribute capital. The surplus either goes to build up reserves to strengthen the financial foundations of the society or is distributed among the members in proportion to their dealings with the society.

The third basis of co-operation is its moral outlook. It seeks to avoid exploitation of man by man. It gives equal opportunity to all and aims at creating the habit of self-reliance and mutual aid among the members. It does not merely teach better business but stresses the importance of better living.

The scope of the co-operative principle in its practical application is as wide as life itself. In the economic field a co-operative

1. Strickland, *Co-operation in India*, pp. 15-16.

2. Quoted by Co-operative Planning Committee Report (1946), p. 4, from *Co-operative Organisation and Post-War Relief*, published by International Labour Office.

society can be organized for a vast variety of purposes. Production, finance, marketing are the well-known fields. You can have societies for better living, education, sanitation, improvement in social customs, etc.

In a planned economy co-operation can play a very significant and effective role. It can make planning democratic. The local co-operative society can act in a dual capacity. It can educate public opinion and awaken interest in the purposes of the plan and see that these purposes are properly implemented in the area of its influence and jurisdiction. One other hand, it can keep the State authorities informed of the views, aspirations and reactions of local opinion. Further, it can act as the economic unit through which the purposes and programmes of the plan can be realised.

One special feature of the co-operative principle of organisation is its adaptability. It is significant to note that capitalistic as well as socialistic societies have adopted this principle for their purposes. While, on the one hand, it is open to dispersion of economic control into local units, on the other hand, it is capable of achieving a high degree of concentration of control through the method of creating federations of smaller units.

12 · 3 History of Co-operation in India

The co-operative method has been tried in various countries like the U.K., Germany, France, Denmark and Sweden with great success. It can be used, as we have noted, in the field of finance, retail and wholesale trade, production in general, in fact living in general.

In India its aid was sought primarily to solve the problem of the growing menace of agricultural indebtedness. Later, it was extended to other fields as well, though credit co-operation has always remained the most important field in this sub-continent.

Co-operation as a movement in India was already forty-three years old when the country was partitioned in 1947. It would be instructive to trace its history and achievements before the emergence of Pakistan.

During the closing decades of the nineteenth century, India was faced with the problem of rural debt, which was assuming menacing proportions. About this time the success of small village banks in Germany and Italy attracted the attention of those who were anxious to solve this problem. Mr. Frederick Nicholson, a

Madras Civilian, was deputed by the Provincial Government to study the system and his report was published in 1895-97. About this time Mr. Dupernex in the United Provinces and Edward Maclagan and Captain Crothwaite in the Punjab were organising credit societies which could be registered under the ordinary Company Law. The Famine Commission of 1901 strongly recommended the introduction of credit associations. The result was the passing of the Co-operative Credit Societies Act, 1904.

The object of this Act was "to encourage thrift, self-help and co-operation among agriculturists, artisans and persons of limited means." The societies were to be either rural or urban. Generally speaking, in the organisation of rural societies the principles of Raiffeisen and in that of urban societies those of Schulze-Delitzsch (both pioneers of Co-operation in Germany) were followed. Raiffeisen societies have ten or more members, joint responsibility about capital, unlimited liability, membership restricted to a village, no entrance fee and no dividends. The Schulze model has wider membership, distributes dividends and pays office bearers, charges entrance fee and has limited liability. The last-mentioned provision is to attract capital from the well-to-do.

The Agricultural Commission (1928) pointed out three features of the new policy which all along influenced the course of the movement in India. "Firstly, it was deliberately decided to restrict the operation of the Act to credit only. This was partly because of the importance of the problem of debt and partly the specially educative value of a credit society which could pave the way for other forms of co-operation. Secondly, the movement was not the outcome of any popular demand. It was the Government which was anxious to ameliorate the condition of the people. Public enthusiasm had yet to be created. Thirdly, it was inevitable under such conditions that a government department should be established to take charge of the movement, until unofficial workers were forthcoming."¹ These features have struck to the movement since its birth. It has been predominantly a credit movement and the initiative and control have never passed out of the hands of the Government.

Credit societies were formed under the Act of 1904, and by 1911-12 there were in India 8,177 societies, with a membership of

1. Report, Royal Commission on Agriculture in India (1928), p. 444.

403,318 and working capital amounting to Rs. 3.35 crores. Soon, however, certain defects were discovered in the Act. In the first place, it did not give legal protection to societies formed for purposes other than credit. Secondly, "the growth of the number of societies and the difficulty experienced in raising capital locally gave rise to the question of establishing some form of central organisation to provide capital to local societies and also to supervise them."¹ Thirdly, classification into rural and urban societies was found to be inconvenient and unscientific. This led to the passing of the Co-operative Societies Act, 1912. This new Act sought to meet these defects in the following manner:

- (i) Non-credit forms of co-operatives affecting purchase, sale, production, insurance, housing, etc., were recognised.
- (ii) New organisations for supervision, audit and supply of capital were recognised:
 - (a) Unions consisting of primary societies for control and audit;
 - (b) Central banks; and
 - (c) Provincial banks for supply of capital.
- (iii) Instead of the old distinction between rural and urban societies, a more scientific distinction was made between those with limited and those with unlimited liability. The liability of a society of which the members were registered societies was to be limited. Societies which aimed at provision of credit and the majority of members of which were cultivators were to have unlimited liability. The others were left to the option of the members in this respect.

The Act of 1912 considerably stimulated the growth of the movement. The number of societies, their membership and working capital increased steadily. New kinds of societies were formed, e.g. those for sale of produce, purchase of manures and farm implements and other necessities of the cultivator. In October 1914 the Government appointed a Committee—Maclagan Committee—to investigate whether the movement was developing on sound lines. This Committee in its report (1915) made far-reaching proposals for the development of the movement.

1. Report, Co-operative Planning Committee (1946), appointed by the Government of India, p. 5.

After the end of the War (1914-18) and passing of the Reform Act of 1919 the movement entered its second phase. Under the new constitution, Co-operation became a Provincial Transferred Subject under the control of responsible ministers. During the early years of the new reforms, various Provinces tried to mould the movement according to their own needs. The Province of Bombay led the way by passing a separate Co-operative Societies Act in 1925. The Provincial Governments encouraged non-official institutions for propaganda and education to promote the movement. Some Provinces appointed inquiry committees to study the progress of the movement and to make recommendations. These committees made a variety of recommendations to set the movement on a sound footing in their respective areas.

The movement showed rapid expansion until 1929 when the worldwide Depression again made prominent the defects which had been pointed out by the MacLagan Committee as early as 1915 and which had been concealed by the conditions of post-War high prices and prosperity.

With the Depression the movement received a serious setback. This may be regarded as the third phase of its development. Agricultural prices fell disastrously. Between 1929 and 1933 the value of agricultural produce in the Punjab, the best province from the point of view of co-operation, fell by 50%. Similar developments took place in other parts of India. The income of the farmer fell, while the burden of his debt increased. His capacity to pay back his obligations decreased. He just managed to live upon his past accumulations which were available, if he was lucky, in the form of gold or silver ornaments of his womenfolk. In most cases he had to resort to the money-lender to help him out. The condition of co-operative credit societies was bound to deteriorate under these circumstances. A number of committees of inquiry were appointed in different Provinces to suggest ways and means of meeting the situation.

On the whole, the decade before World War II was a period of consolidation, rectification and rehabilitation in the history of the movement. There was little expansion and official control was tightened.

With the World War (1939-45) II the movement entered its fourth phase. With the rise in agricultural prices the conditions of the

peasantry improved. The members were thus in a position to repay their debts to the societies. This improved the latter's financial position. Further, the deposits of central banks increased and the demand from affiliated societies for loans decreased. Many banks were thus faced with the problem of surplus funds. In the country a spirit of planning was abroad. Even before the War ended, various schemes for post-War economic reconstruction were put forward, e.g. the Bombay Industrialists' Plan, the Second Report on Reconstruction Planning issued by the Reconstruction Committee of the Council of the Government of India. All these planning schemes gave an important place to the co-operative movement as a suitable agency for carrying out the purposes of the plans.

As a result of a resolution passed by the Fourteenth Conference of Registrars of Co-operative Societies in 1944, the Government of India appointed a Committee consisting of twelve members under the chairmanship of Mr. R. G. Saraiya, Chairman, Bombay Provincial Co-operative Bank. The Committee was appointed in January 1945, its terms of reference being "to draw up a plan of co-operative development." The Committee reported in 1946. Their recommendations covered almost every aspect of co-operative activity. This Committee made a large number of recommendations for the reorganisation of the movement. They specially stressed the importance of co-operation in any plan of economic development of the country. Regarding the causes of limited progress of the movement in India, they attributed it to "the *laissez-faire* policy of the State, the illiteracy of the people, and the failure of the movement to tackle the life of the individual as a whole. The other causes being the small size of the primary unit and undue reliance on honorary services with resultant inefficiency in management."¹

No notable development took place, in this field, between the end of the War in 1945, and partition of the country in August 1947.

The following table gives an idea of the growth of the movement in pre-Partition India.

Table No. 29¹
All-India Figures

Years	No. of Societies	No. of Members Primary (1,000) (lakhs)	Working Capital Rs. crores)
Average for 5 years ending 1914-15	12	5.5	5.48
„ „ „ 1919-20	28	11.3	15.18
„ „ „ 1924-25	58	21.5	36.36
„ „ „ 1929-30	94	36.9	74.09
„ „ „ 1934-35	1,06	43.2	94.61
„ „ „ 1939-40	1,17	50.7	104.67
„ „ „ 1944-45	1,45	69.1	121.14
For the year „ 1945-46	1,72	91.6	164.00

The progress of the movement, however, was not uniform. The Punjab and Bengal were leading in the matter of the number of societies. As regards membership, Bombay stood first, Punjab came after, followed by Bengal. As regards working capital, Bombay topped the list, followed by Sind which in its turn was followed by the Punjab. Thus Pakistan areas, especially the Punjab, were comparatively well advanced in co-operation so far as mere statistics of societies were concerned. On the whole, however, the movement had only affected a small portion of the population of the country.

12.4 Effect of Partition

The Partition was accompanied and followed by the mass migration of people across the borders of the two countries which resulted from it. The migration of non-Muslims from Pakistan, especially West Pakistan, left the economy of the country in a state of paralysis. In the words of the Marketing and Co-operation Adviser to the Government of Pakistan, "lakhs of money-lenders, who had financed the crops, were gone, thousands of co-operatives were rendered ineffective

1. Compiled from the *Statistical Statement relating to Co-operative Movement in India*, published by Reserve Bank of India.

as Secretaries, Managers, Cashiers, Accountants, etc., had left, and hundreds of branches of joint-stock banks closed due to the departure of their staff."¹ "The banking organisation," says a State Bank report, "suffered what appeared to be irreparable damage and almost all the banks closed their doors or curtailed their activities."²

The same causes that curtailed the activities of the co-operatives created greater work of them. The gaps caused by the migration of the non-Muslims in the field of agricultural credit, financing of cottage industries, marketing of produce, both industrial and agricultural, and banking operations in general, had to be filled. The Pakistan areas were already less developed with respect to modern financial institutions. The institutions and individuals who carried on the functions of finance and trade were predominantly non-Muslim. Their leaving the country—and with their assets in most cases—at such short notice was bound to paralyse the economic life of the nation. Crops were rotting for want of marketing facilities; the agriculturist and the artisan did not know which way to turn for credit facilities. There was large-scale unemployment among the cottage workers, the producers of hand-made articles, the market for which either existed in India, trade relations with which country had almost stopped, or in other foreign countries, with which the non-Muslims had developed trade links, which were now broken. The wholesale, retail, import and export trade all suffered in varying degrees. Moreover, refugees from India poured into Pakistan in lakhs. Among them were small agriculturists and artisans whose credit needs had to be looked after and they had to be fitted into the economy of their new homeland. Added to that was the problem of the post-War resettlement of the retired military personnel. The only agency which could come to the aid of the people was the co-operative organisation which in its turn had suffered through losing its trained staff. This vicious circle had to be broken. And it was broken through the sheer pressure of necessity and the grim determination of the people to see that Pakistan was made a success. Under the leadership of the Provincial Co-operative Departments, the existing societies were vitalised and

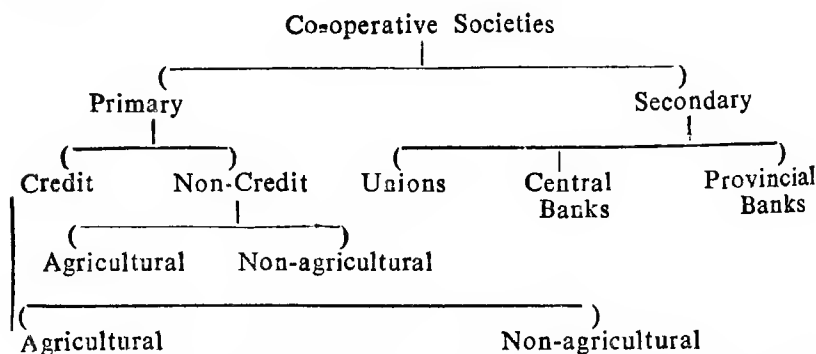
1. S. A. Hussain, "Co-operation, A Way of Life," *Co-operation and Marketing Review*, April 1955, pp. 216-17.

2. State Bank of Pakistan, Report of the Central Board of Directors, 1948-49, p. 3.

new societies formed as the need arose. Before the year 1947 was out, the outlook was entirely changed. The credit societies began to function and advance loans. Central co-operative banks, especially in the Punjab and N.-W.F.P., not only financed the movement of agricultural produce, but also took up commercial banking. In the field of production, flour-milling, rice-husking and cotton-ginning were undertaken by single or multipurpose societies. The artisans and technicians coming from India were provided occupations through formation of industrial co-operatives. Societies were formed for spinning, weaving, manufacture of footwear and other leather articles, etc. Within a few months, their turnover ran into crores. By the end of 1947 the prices were stabilised, confidence was restored and the financing and marketing of agricultural produce were fully resumed. In other words, the emergency was met.

12 · 5 Structure of the Movement

The structure of the movement may be visualised from the chart below:



It will be seen that the movement has developed on the federal pattern. At the base, at the village level or in urban areas, as the case may be, there are Primary Societies. These may be credit societies or non-credit societies. Each of this kind may be either agricultural or non-agricultural, depending upon the majority of the members. More recently, particularly in East Pakistan, there has been a tendency to form multipurpose societies. These societies are primary credit societies, but they also perform non-credit functions for their members, like helping them in marketing their produce and purchas-

ing fertilisers and other supplies for them. The liability of agricultural credit societies is, normally speaking, unlimited. But in recent years there has been a tendency in the former Sind area to organise limited liability societies. These are known locally as Taluka Banks or Zamin-dara Banks.

At the secondary level, there are Central Banks and Co-operative Unions. There is usually one Central Bank for a district. It may be even for a part of a district. The Primary Societies are affiliated with the Central Banks of their areas. The Unions are federations of societies within a given area. While the membership of Central Banks is open to individuals and societies, the members of the Unions are only societies.

The Unions perform the functions of supervision of the primaries and also serve as links between them and the financing institutions. The system of supervision has not been found satisfactory. It is superficial and overlaps with the work done by the inspecting staff of the financing agencies. A banking union could do the work of supervision in addition to financing, and this is the usual practice in Pakistan. We shall come to a detailed consideration of central banks presently.

At the apex of the whole structure is the Provincial Co-operative Bank. Its function is to finance, co-ordinate and control the working of the central banks in the area of their jurisdiction. It serves as a clearing-house for the central banks. Moreover, it serves as a link between the general money market and the co-operative primary societies in the village. Generally speaking, the apex bank does not deal directly with primary societies except in areas in which central banks have not developed.

12 · 6 Provincial Banks in Pakistan

At the time of Partition Pakistan had three Provincial Co-operative Banks, i.e.:

- (i) The Punjab Provincial Co-operative Bank, Ltd.
- (ii) The Sind Provincial Co-operative Bank, Ltd.
- (iii) The Frontier Co-operative Bank, Ltd.

As regards East Pakistan, a new Provincial Bank was established in April 1948 [the East Bengal (now East Pakistan) Provincial Co-operative Bank], since the Provincial Co-operative Bank of undivided Bengal was situated at Calcutta.

When the integrated Province of West Pakistan came into being a difficulty arose over the control of the Sind Provincial Co-operative Bank. This Bank had its head office at Karachi and maintained that, by virtue of this fact, it came under the control of the Registrar, Co-operative Societies, Karachi. The West Pakistan authorities took the view that since it was the bank of the former Province of Sind it should be under their control. In March 1958, the Provincial Government sponsored a new institution, the Regional Co-operative Bank, as an apex bank for financing of societies in Khairpur and Hyderabad Divisions. With the dismissal of the suit filed in the High Court at Karachi, the control of the Sind Provincial Bank passed to West Pakistan, but in practice the position remained obscure. With the merger of Karachi into the Province of West Pakistan the two banks were merged into one.

As regards the financial position of the Provincial Co-operative Banks the Credit Enquiry Commission found it unsatisfactory. In Sind the position was confused due to the dispute referred to above. As to the Frontier Bank, 25% of its total advances were bad and doubtful debts. If further allowance was made for unremunerative investment in the shares of co-operative institutions the presumption was that its realisable assets would fall short of its liabilities. Regarding the Punjab Bank the Commission was of the view that if Rs. 58 lakhs transferable to evacuees became transferred "the effect on the liquidity of the Bank would be fairly adverse."¹ The East Pakistan Provincial Bank was in no better position. Of its total advances of Rs. 92·7 lakhs 30% were overdue by more than three years. Most of its funds consisted of borrowed money or advances by the Provincial Government.

More recently the financial position of the West Pakistan Provincial Co-operative Bank has improved considerably. Compared to 1958-59, by 1963-64, its share capital and reserves and other funds had increased from a total of Rs. 68·67 lakhs to a total of Rs. 123·39 lakhs and its working capital increased from Rs. 686·24 lakhs to Rs. 1,144·47 lakhs during the same period. Recent statistics about the East Pakistan Provincial Co-operative Bank are not available.

12·7 Central Co-operative Banks

The Central Banks have been organised since the passing of the

1. Credit Enquiry Commission Report, op. cit., p. 42.

Co-operative Societies Act, 1912, to finance the primary societies and to act as their balancing centre. Such banks make it possible to draw capital from a wider field for the benefit of primary societies. They also help in adjusting and balancing the excesses and deficiencies of working capital of primary societies within the area of their jurisdiction. Besides financing societies, they carry on banking business like accepting deposits, bills, cheques, etc. Sometimes they advance loans to individuals against real properties. Their area of operation varies; sometimes it is a district and sometimes a tehsil as the circumstances require. In the former Sind province, their place was taken by the Taluka Banks formed by the amalgamation of Primary Credit Societies. In the former North-West Frontier Province, after Partition, the District Co-operative Banks were merged into the Frontier Co-operative Bank, which acquired the status of a Provincial Co-operative Bank.

Though the central banks were primarily created for financing primary societies, after the Partition they undertook commercial functions and helped to overcome the banking crisis that faced the country. They also helped the Government by acting as their agents. In the Punjab, for instance, they were appointed agents for the purchase and sale of cloth, agricultural commodities and other controlled articles. They financed individuals, members and non-members, by advancing loans against stock-in-trade, jewellery, agricultural produce and trust securities. In the Frontier Province, Co-operative Banks achieved similar results. The Frontier Co-operative Bank was established and the four central banks were amalgamated with it. The constitution of the Bank was so changed that the Bank could make short-term advances to individuals and firms, other than co-operative societies, on security of goods, jewellery and bills.

The Credit Enquiry Commission of 1959 came to the conclusion that "the central banks in both wings of the country constitute a very weak link in the co-operative credit structure."¹ They attributed this weakness to the following factors: (a) poor administration; (b) measures passed during the Depression, e.g. Bengal Agricultural Debtors' Act, 1935, providing for compulsory scaling down of debts of agriculturists, including debt to co-operatives; (c) commercial lending for which they had little experience and which led to corrupt

1. Credit Enquiry Commission Report, op. cit., p. 48.

practices; (d) unqualified staff; (e) domination by individuals who used the banks in their personal interest; (f) high proportion of loans to a few influential individuals, without adequate security; (g) favouritism through which directors and their associates derived undue benefits; (h) basic contradictions in Registrar's control, who has powers to recommend credit limits, a task which should be in highly technical hands.

The State Bank of Pakistan, from time to time, drew attention of the Government to these weaknesses and made efforts for exercising control which was resisted by vested interests. The Credit Enquiry Commission recommended the merger of the central banks into the apex banks in both wings of the country. They recommended that those which were insolvent should be liquidated and others should be turned into the branches of the apex bank. The same was to be done with the larger primary societies (called Taluka banks and Zamindara banks in the Sind area) provided their deposits exceeded Rs. 50,000. The Commission did not favour commercial lendings by co-operative banks and recommended a programme of phased withdrawal from such business.

Since the existing control of the Registrar had been found ineffective, the Commission recommended that the reorganised apex banks should be declared scheduled banks and subjected to the control now exercised by the State Bank over all banking companies under existing banking legislation.

At present there are 75 co-operative central banks in West Pakistan with a membership of 35,000. They had in 1963-64 share capital, reserves and other funds amounting to Rs. 416.77 lakhs as against Rs. 268.74 lakhs in 1958-59 and their loans amounted to Rs. 877 lakhs and deposits to Rs. 2,575 lakhs as against Rs. 299.74 lakhs and Rs. 2,018.36 lakhs loans and deposits respectively in 1958-59.

12 · 8 Primary Societies—Agricultural Credit

A primary agricultural credit society can be formed by ten or more persons (maximum 100) by applying for registration to the Registrar of Co-operative Societies. The area of operation of such a society is usually a village. This is to ensure mutual knowledge and supervision on the part of members. The liability of members is unlimited. The idea is to inspire confidence in the minds of the outsiders and to stimulate mutual control and supervision among the members. The working capital is derived from entrance fees, deposits

and share capital, if any, of the members. Among the Pakistan Provinces, it was only in the former Punjab that share capital was issued. Capital is also secured from outside loans and deposits from Government, from other societies and from central and provincial banks.

Loans are given to members for: (i) productive purposes like (a) short-term credit for current agricultural operations and (b) long-term credit for permanent improvements of land; (ii) for unproductive purposes in moderate amounts, e.g. for marriage ceremonies, etc., and (iii) for redemption of old debts. Loans are usually given on personal security and sometimes on security of property, etc. Repayment is allowed on easy instalments. In case of disputes, arbitration is provided for to discourage litigation. The Registrar can dissolve a society if it does not improve its working in spite of warnings.

Every society is required by law to build up a reserve fund, to which all profits are credited in the case of societies with no share capital. In the case of others, 25% of profit is carried to this fund. Ten per cent of the profit, if the Registrar allows, can be spent for charitable purposes.

Accounts of the societies are annually audited by officers deputed by the Registrar. The societies enjoy certain privileges like exemption from stamp duty, registration fee and income-tax. Their shares cannot be attached and they have a prior claim over creditors.

The management of an agricultural credit society is in the hands of two bodies, viz. the General Committee, consisting of all the members, and the smaller Managing Committee elected by the general body. The current business is disposed of by the Managing Committee, e.g. granting loans, admitting new members, etc. The General Committee elects the Managing Committee, appoints the paid secretary, amends bye-laws, etc.

The working of the co-operative credit societies in most of the Provinces of pre-Partition India was far from encouraging. In 1934, Sir Malcolm Darling found that during the thirty years' life of the movement, as much as 24% of the total number of societies started had gone into liquidation. Six years later, the Reserve Bank, in its review of the movement, found that the finances from the external sources played a disproportionately large part and the reserve fund in many cases was created without making any provision for bad debts and was

often invested in society's own business. In the meantime, the Depression had hit the credit societies hard and their position deteriorated considerably. Debt legislation had also its adverse effects, because in many Provinces like Bengal, a member owing a debt to his society could file an application before the Conciliation Board and suspend payment of his instalments until the award was made by the Board and approved by the Registrar. This led to the direct freezing of the funds of the society, irrespective of the ultimate outcome of the application. The basic causes of the weakness, however, lay much deeper, the most fundamental among these being the indifferent observance of the co-operative principles even during the years of comparative prosperity. During World War II, the financial position of the credit movement improved considerably, because of high prices of agricultural products. The same conditions prevailed during the two years between the end of the War and the partition of the country. The rehabilitation of the movement, however, was of different degree in different Provinces according to local conditions.

12·9 Co-operative Agricultural Credit since Partition

Tables No. 31 and 32 give some interesting facts about the primary agricultural co-operative credit societies in the two wings of Pakistan separately. From Table No. 30 it is clear that during the first decade after Independence, only a very moderate progress had been made in this connection in the Province of West Pakistan.¹ Here two categories of societies are tabulated, i.e. those with limited liability and those with unlimited liability. Limited liability societies are found in Sind. They are larger sized resulting from the amalgamation of primary societies. They are also known as Taluka Banks or Zamindara Banks. Their number is comparatively very small, but their importance is much greater as is shown by the greater relative share of their paid-up capital, working capital, reserve funds, deposits, etc. They had been showing better profits also as compared to the other societies. Their overdues formed a smaller percentage of their outstanding loans during any particular year. Moreover, their rate of progress was higher. The majority of the societies are, however, of the unlimited liability kind. They appeared to be in a stagnant condition, as is indicated by a very moderate percentage increase in their number, membership, share capital, working capital, reserve

1, Later statistics are not available for both provinces for detailed analysis.

funds and deposits, etc. Their profit level also had been low. And overdues as percentage of their advances had been about 33% as against from 15% to 25% in the case of limited liability societies.

In more recent years separate figures are not available for limited and unlimited liability societies. Consolidated figures show some progress made by these societies since 1958-59. Their number increased from 11,453 in that year to 13,937 in 1963-64; their share capital increased from 94 lakhs to 175 lakhs and their reserves from Rs. 137 lakhs to Rs. 172 lakhs during the same period and working capital from Rs. 69 lakhs to Rs. 1,380 lakhs.

In East Pakistan the movement has shown still more unsatisfactory progress. In Table No. 31 statistics are given regarding two types of societies: (a) primary societies which are purely credit societies, (b) multipurpose societies which are mainly credit societies but perform non-credit functions as well. These latter societies began to be organised from the year 1949-50. A striking feature of the table is the great fall in the number of primary credit societies during the period under review. The number fell from 26,664 in 1947-48 to 18,471 in 1950-51, to 12,132 in 1953-54 and to only 1,989 in 1956-57. The fall between 1950-51 and 1956-57 alone was in order of about 90%. Corresponding fall took place in the same degree of their membership, share capital, working capital, reserve fund, deposits and borrowings as well as lendings. Overdues formed about 75% of the outstanding advances from individuals in 1956-57. Such societies, therefore, had become negligible and they had all along been facing losses.

As the number and importance of primary societies decreased, multipurpose societies took their place. Though the number of multipurpose societies had not increased much between 1950-51 and 1956-57, their membership has increased at a much higher rate. Their share capital, working capital and reserve fund increased from 100% to 200% and their borrowing more than 400%. Their overdues were quite high, however, and the profit level they had shown was not very significant. More recent figures are not available.

The findings of the Credit Enquiry Commission in 1959 indicated a still more dismal position. On the basis of audit classification they found that, of the 10,985 societies in 1956-57 in West Pakistan, 2,421 or about one-fourth were in the D class, i.e. they were defunct

Table No. 30
Progress of Primary Agricultural Co-operative Credit Societies, West-Pakistan
 (1947-48 to 1957-58)¹

	1947-48	1952-53	1955-56	1957-58	1957-58 over 1947-48 +80.0
No. of Societies					
Limited	50	55	63	90	
Unlimited	9,021	9,349	10,534	11,154	+23.6
Membership					
Limited	15,143	24,003	28,573	32,008	+126.3
Unlimited	231,811	257,740	310,113	343,268	+48.0
Share Capital paid-up (Rs. lakhs)					
Limited	8.63	16.75	22.95	29.44	+241.1
Unlimited	38.84	39.41	48.07	56.22	+44.8
Working Capital (Rs. lakhs)					
Limited	54.47	110.50	185.58	271.65	+497.9
Unlimited	243.31	265.83	314.68	355.88	+46.2
Reserve and other funds (Rs. lakhs)					
Limited	12.05	22.42	37.77	48.02	+282.3
Unlimited	111.44	112.79	130.22	121.52	+9.0

Deposits (Rs. lakhs)	Limited	20.10	43.74	73.87	122.11	+507.4
	Unlimited	28.52	24.92	27.94	30.11	+5.7
Borrowings at the end of the year (Rs. lakhs)	Limited	13.24	27.59	50.99	72.08	+445.2
	Unlimited	64.21	88.71	108.45	148.03	+127.9
Loans made during the year to individuals (Rs. lakhs)	Limited	4.42	61.82	133.43	141.82	+3108.9
	Unlimited	26.52	78.26	129.56	173.87	+555.6
Loans outstanding from individuals (Rs. lakhs)	Limited	38.83	75.59	122.97	174.55	+350.2
	Unlimited	158.06	197.84	241.96	298.91	+89.9
Of which overdues (Rs. lakhs)	Limited	21.48	22.61	33.10	24.45	+13.7
	Unlimited	43.94	63.34	54.97	100.73	+126.9
Profit or loss (Rs. lakhs)	Limited	+1.15	+2.04	+4.81	+4.43	
	Unlimited	-1.44	+2.80	+0.60	+8.51	

1. Later figures are not available.

Table No. 31

Progress of Co-operative Credit Societies, East Pakistan
(1947-48 to 1956-57)¹

		1947-48	1950-51	1953-54	1956-57	% change 1956-57 over 1950-51
No. of Societies	Multipurpose	...	3,146	3,898	3,197	+1.6
	Primary	26,664	18,471	12,132	1,689	-89.2
Membership	Multipurpose	...	316,351	525,123	529,827	+67.4
	Primary	658,125	449,367	294,268	48,226	-89.2
Share Capital (Rs. lakhs)	Multipurpose	...	15.24	28.00	30.71	+101.5
	Primary	41.42	34.73	22.23	5.67	-83.6
Working Capital Rs. lakhs)	Multipurpose	...	34.88	120.04	107.71	+209.0
	Primary	381.01	289.31	168.09	36.83	-87.2
Reserve (Rs. lakhs)	Multipurpose	...	4.24	7.44	11.55	+172.4
	Primary	153.79	108.50	52.46	12.08	-87.0

Deposits held at the end of the year (Rs. lakhs)	Multipurpose	...	43.74	3.21	10.10	+61.3
	Primary	16.88	21.89	8.81	3.21	-85.3
Borrowings held at the end of the year (Rs. lakhs)	Multipurpose	...	12.19	74.51	61.17	+401.7
	Primary	178.92	129.19	84.60	15.87	-87.7
Advances made during the year to individuals (Rs. lakhs)	Multipurpose	...	10.19	7.92	15.63	+353.3
	Primary	19.73	3.29	2.31	2.16	-34.3
Advances outstanding from individuals (Rs. lakhs)	Multipurpose	...	11.31	68.81	62.00	+448.1
	Primary	188.15	141.53	88.48	20.44	+85.5
Of which overdues (Rs. lakhs)	Multipurpose	...	3.37	52.39	43.04	+1177.1
Profit or loss (Rs. lakhs)	Primary	152.10	118.05	78.63	14.24	-87.9
	Multipurpose	...	+0.92	+2.39	+1.11	
	Primary	-16.99	-11.99	+0.25	Rs. 30 only	

1. Later figures are not available.

and on the verge of liquidation, while another 2,194 societies were in C (ii) category, i.e. they were nearly defunct. In other words, over 40% of the total societies were in a moribund condition and of no consequence for current financing purposes. In East Pakistan, of the 4,730 societies listed as agricultural societies, as many as 1,231 or more than one-fourth were in D class or below, 3,002 societies were in C class, i.e. working not very satisfactorily. More recent figures are not available.

The Credit Enquiry Commission attributed this stagnation partly to such external factors as the diversion of co-operative funds to non-co-operative uses, political intervention, weakening of the Co-operative Department due to exodus of trained staff after Partition, frequent transfers of Registrars and poor selection of senior officials and lack of real Government support. In addition, they found deficiencies in the internal structure of the credit societies, including low credit limit for individual borrowers, gradual shift to lending on the security of land which narrowed down the circle of people whom credit could be granted, the unpopularity of the principle of limited liability and dependence on unpaid staff.

The Commission strongly urged the enunciation of a clear-cut and well-articulated State policy in aiming at promoting the co-operative movement. They were of the view that the Government should encourage the establishment of large-sized single-purpose societies operating on limited liability basis and run by paid staff, part of whose salary should be met by the co-operative banks. Such societies "should undertake financing of seasonal needs and medium-term needs of the cultivators not exceeding the period of three years on the basis of individual credit limits based primarily on repaying capacity or recovery experience."¹ The Commission further recommended the linking up of primary credit societies with marketing societies situated at a higher level, and they wanted the union level societies in West Pakistan organised either through voluntary merger of existing primary societies or, where primary societies did not already exist, establishment of new societies. The Commission also recommended the upgrading of the staff of the Co-operative Department and giving them additional powers.

The Commission found the existing position regarding super-

1. Report, op. cit., p. 38.

vision and audit to be unsatisfactory. They recommended that audit should be the sole responsibility of the Co-operative Department; the possibility of audit without any charge should be considered, the staff for supervision and audit should be separate and the co-operative banks should have the powers to inspect all co-operative societies affiliated to them.

It appears that these recommendations of the Commission have not yet received adequate attention of the Government.

12 · 10 Single *versus* Multipurpose Societies

A tendency in co-operative practice in recent years, particularly in East Pakistan, has been the establishment of multipurpose co-operative societies. The idea is not to organise separate societies for different purposes, like marketing, supply of seed, better living, etc., but to have one society which should help the peasant in every aspect of his social and economic life.

It was as early as 1937 that the question of organising multipurpose societies was mooted in pre-division India. The occasion was the appearance of the Reserve Bank of India's Report on the Banking Union at Kodinar which was followed by another bulletin of the Bank on Co-operative Village Banks. The Bank recommended the formation of such societies in the following words: "If the problem of agricultural indebtedness is to be solved through co-operation—and co-operation affords the best means for solving it—the co-operative movement must give up dealing with its members piecemeal and must cater for all their wants. Their object must be comprehensive. There must be multipurpose societies. For whatever apparent purpose a society is started, it must serve as a point of contact and gradually other purposes must be developed so that ultimately the whole of man is dealt with. That should be the goal set before the movement."

In a later publication, the Bank suggested the steps through which gradually one purpose after another should be brought under the control of the same society. "Starting with credit for current needs, a society may get the old debts of its good members liquidated through a land-mortgage bank, introduce better business and better monetary return by inducing its members to sell their produce co-operatively, ensure their growing of the improved varieties of crops by purchasing seeds for them, save on purchases by arranging for the purchase of their other needs jointly and at profitable rates on an indent system

without incurring any risk or liability, save litigation expenses by effecting arbitration, improve the outturn of crops by consolidation of holdings, supply of pure seed and improved implements, supplement the income of its members by inducing them to take to subsidiary industries, introduce better living measures by adopting bye-laws by common consent, which will curtail ceremonial expenditure, and remove insanitary habits, provide medical relief and so on.”¹

The new ideas gave rise to a controversy. There were people who hailed it as a comprehensive approach to the rural problem as a whole. “The comparative failure of the usual credit co-operation,” wrote a well-known Indian Professor of Economics, “may be largely attributed to the fact that it addressed itself to the solution of the problems of credit only and did not simultaneously take up the campaign against all the causes which give rise to it and make for the unbalanced budget of the farmer.”² It was further pointed out that the farmer does not like too many agencies to deal with. In addition to the above, many other benefits were claimed for the multipurpose society by those who welcomed the idea : greater loyalty and sustained interest of members; freedom from the evils of cash economy; wider area of operation, hence more economical and efficient management; its utility in the rural uplift movement and the promotion of subsidiary industries concerned with agriculture. It could serve as a good agency for the rehabilitation of rural life as a whole; it would have a comprehensive understanding of all the various problems that the agriculturist had to face. In any case, a proper co-ordination of the various co-operative activities was deemed necessary even if there were separate societies for each purpose.

On the other hand, its opponents raised a number of objections against it, e.g. the business ability of the villager might be overstrained; the danger of its becoming cumbersome in mechanism and unintelligible to the simpler members; failure of one line of business might affect other lines. The disadvantages due to the larger area of operations were pointed out. It was held that on account of the failure on the part of members to secure the necessary mutual knowledge and trust, an essential purpose of the co-operative movement

1. Reserve Bank Review of the Co-operative Movement in India (1940-41), p. 1942.

2. S. G. Beri in *The Indian Economic Journal*, Conference Number, 1942, p. 516.

would be defeated. Moreover, a small village unit was regarded necessary as a training ground. Then the limited liability of such societies was also objected to.

In spite of these objections, however, there was a growing number of people who favoured this kind of society even before Partition. The Thirteenth Conference of Registrars of Co-operative Societies, held at Dehli in December 1939, passed the resolution "that provinces should experiment with multipurpose societies to ascertain more clearly the conditions under which they are likely to thrive, and the form which they should take, with special reference to their area of operation, liability and purposes." The Madras Committee on Co-operation also favoured the idea.

The Co-operative Planning Committee reporting in 1946 recommended the reorganisation of the primary society in such a way as to make it a multipurpose society. "We recommended," wrote the Committee, "that the primary credit society should be reformed and reorganised so as to serve as a centre for the general economic improvement of its members and in particular: (a) finance crop production, (b) act as agent for the sale of crops to the nearest co-operative marketing organisation, (c) supply the farmer's simple needs for crop production like seed, cattle feed, fertilisers and agricultural implements, and also consumer goods like cloth, kerosene, salt and matches on indent basis or on the basis of established needs, (d) serve as milk-collecting station for the nearest dairy and as a centre for animal first-aid and the maintenance of stud bulls, (e) serve as a centre for maintaining agricultural machinery for the joint use of members, and (f) encourage subsidiary occupations for its members."¹

After taking into consideration all the arguments for single and multipurpose societies, the Credit Enquiry Commission of 1959 favoured the single-purpose society. They were of the view that such a society is necessary to establish clear-cut links with the financial institutions of the co-operative movement and to permit an accurate evaluation of the credit record and standing of societies. The Commission recommended that the East Pakistan Government particularly should reconsider their policy in this field. They suggested a bifurcation of the organisational network with the existing union level societies confining themselves to credit activities only and with separate

societies to be established for discharging the supply and service functions.

We think that no standard pattern should be forced upon the people. Where multipurpose societies are working successfully, they should be encouraged to continue their work and improve the technique of their handling it. But where conditions are such that a multipurpose society is unmanageable by the people concerned, they should confine themselves to the single-purpose model. In our view the bias should be in favour of the multipurpose model, since it aims at a more comprehensive approach to the farmer's problems which are all interrelated.

12 · 11 Multi-Village Societies

Another possibility, considered by the Credit Enquiry Commission, was the formation of multi-village societies as against the single-village societies. A multi-village society, as its name indicates, is one which covers not one village but a number of villages. Its advantage is that it yields a sufficient turnover of business to allow employment of paid staff without subsidy. It, however, runs contrary to the principle laid down by the MacLagan Committee about fifty years ago embodied in the formula "one society to one village and one village to one society." It has always been believed that for the success of co-operation mutual knowledge and supervision among members is essential and this is ensured in a single village better than in several villages. In actual practice, however, this principle has not worked well. Managing Committees have not always exercised real discretion in sanctioning loans nor have they taken steps to recover them. Moreover, village factions have led to strife and formation of exclusive groups. On the other hand, it has been argued that multi-village societies will deter the poorer class of peasants to join them. Such a society will involve the peasant's travelling to a place some miles away from his village mostly on foot along with a surety to get a loan. Further, it will be difficult to get a quorum. It is also objected that larger societies may over-facilitate the supply of credit and if loans are given too freely, recoveries may be difficult. The Commission favoured making experiments with such societies, but not by amalgamating the already existing societies, which are working well, into larger units. We think it is the right course to adopt.

12 · 12 Limited or Unlimited Liability

The agricultural credit society in this sub-continent has been

organised on the Refeisen model which involves unlimited liability. This model has been regarded suitable particularly for our villages, because an individual member is usually a man of small means and members usually belong to the same village community with full knowledge of each other's character as well as economic position. Unlimited liability ensures careful supervision of the members among themselves, since all of them are equally poor. No one stands to lose more than his neighbour. Mutual surety increases the credit-worthiness of the society and enables it to get more funds from the higher financing agencies than they would do otherwise. On the other hand, the experience of 1930's has made the principle of unlimited liabilities unpopular among the villagers. Under its cover the clever members were able to put the burden of meeting the debts of the society on the more well-to-do, honest, and unsophisticated members. This resulted in hindering the growth of co-operative savings. In Sind many unlimited societies have been transformed into limited liability co-operative banks. In East Pakistan unlimited liability societies are gradually being liquidated since they have proved a failure. Thus there has been a definite tendency in favour of the limited liability. It would, however, be unwise to turn successfully working unlimited liability societies into limited liability societies. The latter, however, may be formed on an experimental basis where circumstances are favourable for them.

12 · 13 Other Types of Primary Societies

So far we have been talking of agricultural credit of primary societies. These are by far the largest in number in Pakistan if we count multipurpose societies of East Pakistan in this group. They form about 60% of the total primary societies in the country. Other forms of primary societies may be grouped as follows:

- (i) Non-agricultural credit societies.
- (ii) Non-agricultural non-credit societies.
- (iii) Agricultural non-credit societies.
- (iv) Miscellaneous societies.

We shall dispose these of briefly except that, in the third group, we have co-operative farming and co-operative marketing which will need some detailed account.

(i) *Non-agricultural credit societies*. These are found in the urban areas and follow the Shulze Delisch model, i.e. large membership, limited liability, high dividends. In Pakistan these societies have

taken the form of urban banks. Their position is quite sound in the former Punjab Province. In East Pakistan their position is most unsatisfactory. Working capital is mainly contributed by share capital and reserves and deposits by individuals. Advances are meagre. They are not doing much business and are being strangled by excessive overdues. Their total number is about 2,000, their membership about 2 lakhs and working capital about Rs. 30 crores. They are mostly found in West Pakistan.

(ii) *Non-agricultural non-credit societies*: This category of societies includes industrial societies, co-operative housing societies, co-operative stores, etc. Their total number in Pakistan is about 7,000, membership 4 lakhs and working capital about Rs. 20 crores; two-third of them are in West Pakistan.

"Industrial co-operatives" is the largest single category of non-agricultural societies in Pakistan. There is a considerable scope for the development of such societies, particularly for organising cottage workers. They have already made progress in the former Punjab and East Pakistan. They are mostly weavers' societies.

Co-operative housing societies are generally of two kinds: (a) tenants' co-operative societies which build or purchase houses for sale or lease to their members and (b) building societies which help their members to acquire houses through advancing loans made on mortgage security. In Pakistan most of these societies exist in Karachi. Their number is about 50. Formation of such societies needs encouragement since they have special advantages for building houses, e.g. the supply of raw material is facilitated and the middleman's charges avoided.

Consumer's stores are established for the supply of domestic needs of the members. The idea is to save the middleman's charges and enable the consumers of small means to get the advantages of large-scale operations. In Pakistan consumers' stores have not made much progress.

(iii) *Agricultural non-credit societies*. Such societies did not develop to the same extent in pre-Partition India as credit societies, and their number in West Pakistan is about 7,000 with a membership of about 4 lakhs. The reasons why non-credit co-operation did not progress in earlier years as did credit co-operation, were: (a) The Act of 1904 made no provision for such societies and it was only after the Act of 1912 that such societies began to be formed. (b) In other

countries also, e.g. in Europe and America, the non-credit movement developed later and much slower than the credit movement, due to greater training and experience necessary for running non-credit societies. (c) The industrial backwardness of the country and illiteracy of the mass of the people also stood in the way. (d) Finally, credit societies in many cases also took up non-credit functions, such as purchase of implements, seed and manure, etc.

In later years, however, non-credit societies, especially agricultural non-credit societies, received considerable attention and showed good progress. They were introduced over a large field of agricultural operations, e.g. sale of agricultural produce, production and sale of implements, development of irrigational projects, consolidation of holdings, co-operative farming, etc.

(iv) Other societies which need mentioning are: fishermen's societies, consolidation of holdings, livestock breeding, etc. Fishermen's societies exist in East Pakistan and the Hyderabad Division of West Pakistan, but they have not made much progress. Consolidation of holding societies were formed in the former Punjab and N.-W.F.P., but their operations are in suspense at the moment. There are health societies in East Pakistan and the former Punjab and also stock-breeding societies in the latter area.

12 · 14 Co-operative Farming

Co-operative farming is a system of land cultivation and management in which the farmers are organised on co-operative principles. Historically, it has taken many forms among which the following are worth mentioning:

(a) *The Russian system.* The Russian *Kolkhos* is an economic community of farming families, who pool their resources and undertake to work together under a managing committee chosen by themselves. The working members are organised into groups and paid according to work done measured in work-day units. They have no ownership rights in land. The capital needed in the form of equipment is provided by the State. A large portion of the crop is also sold to the Government at specially contracted rates.

(b) *The Israeli system.* This form of co-operative farming is known as "Kuvutza." This is an even more advanced form than the Russian *Kolkhos*. Not only is the land, livestock, machinery, etc., common property but living is also on a joint basis. There are no family houses. Each member has a room in a commonly owned build-

ing and is fed in a common dining-room. Children are taken away from their parents almost from their birth and are brought up in communal nurseries. They are educated in kindergarten, primary or secondary schools until they become working members of the community. The workers get no wages and all their needs are supplied free. A small sum is given annually to meet holiday expenses. This type of organisation is set up by the National Federation of Jewish Labour, which has enormous funds and is motivated by a religious fervour to establish a separate home for the Jews.

Another type of co-operative farm is known as "Mosha." Here family life is retained and each member cultivates his own holding. All the services, however, like credit, marketing, etc., are supplied on a co-operative basis. Another model is between the two mentioned above. Under this the farm is held in common, but members have their family houses as well as gardens. They receive payment for working on the farm not according to the work done, but according to the family needs.

(c) *The Italian system.* In Italy there are two types of co-operative farms:

(i) Conduzone Unita.

(ii) Conduzone Divisa.

Under conduzone unita the land is cultivated jointly by members and the means of production belong to the society. Members receive wages according to the work done by them and also receive a portion of the surplus income in proportion to the wages earned after costs of production have been met and provision made for a reserve.

Conduzone divisa is a co-operative farming society of small tenants to whom land is leased out for individual cultivation. The society gives directions and supplies credit, marketing and other services as well as costly machinery.

Thus co-operative farming may cover varying degrees of ownership of the means of production or even consumption. The extreme case is the Israeli kuvutza and the mildest form is the Italian conduzone divisa.

The All-Pakistan Co-operative Conference held in 1957 classified co-operative farming societies into four categories.

(i) Those which take over from the members proprietary rights of the land and its management.

(ii) Those which allow the proprietary rights to be retained by the members, but assume the land-use rights and management.

(iii) Those which allow the members to retain the proprietary rights as well as land-use, but undertake to supply their requirements of fertilisers, seeds and implements, arrange for marketing the produce and lay down the cropping pattern to be followed by the members.

(iv) Those which only supply the members' requirements but do not control the cropping pattern.

The Conference ruled out the suitability of the first two types for Pakistan, since the farmer here is so attached to his land as his personal property. It was thought that the second and third forms could be acceptable to our farmers. But these types, strictly speaking, are not co-operative farming. These are individual farming systems assisted by the co-operative principle in the supply of certain essential services.

The essence of co-operative farming is voluntary pooling of resources, including land and equipment, by their owners and carrying out the various agricultural operations with each other's help, the produce being divided in proportion to the work done and other resources contributed to the common pool. One of its models was suggested about thirty years ago by Tarlok Singh in his well-known work *Poverty and Social Change*. Under this scheme the whole village was to be taken as a unit and stock-taking of the entire land was to be undertaken. The proprietors were to surrender their ownership in favour of the society in lieu of the shares to be allotted in accordance with the value of the land so surrendered. The land thus pooled was to be divided into economic units on the basis of one-plough farms. The entire working population of the village was then to be surveyed and each individual was to be given work according to his capacity. Wages were to be paid on the basis of work units. The profits were then to be divided in proportion to the shares held by the members.

This system preserved the ownership in land though converted it into the ownership of shares. But such a system is rather complex and requires a degree of organising capacity which is not likely to be found in most of our villages.

Some years ago an FAO expert, Dr. Schiller, was invited by the former Punjab Government to suggest a system of co-operative farming suited to the conditions of this region. He recommended a system of individual farming which involved surrendering of cultivation rights

In the land in favour of the society and its subsequent division into lots of ten acres each. These lots were to be cultivated by farmers who were to be supplied essential services through the co-operative method. This scheme also did not evoke enthusiasm among the farmers since it involved first surrendering of their land to the society.

Thus under our conditions it is not likely that farmers will voluntarily agree to surrender their rights in land whether they receive back shares or consolidated lots for cultivation only. They must first be convinced of the clear superiority of the system of co-operative farming. The best method is to proceed by steps. One way would be to develop a single-purpose society into a multipurpose society undertaking the supply of one service after another until the final stage is reached, when land is also pooled. Another method is to by-pass the ownership complication and start such societies on State lands and, after the system is established, confer ownership of the land on the society. The society may, if it deems fit, confer this ownership on individual members on condition that the area continues to be cultivated on a co-operative basis. This appears to have been the line of development in Pakistan.

The first experiment in co-operative farming in Pakistan was organised in 1948 in the Punjab as a means of resettling displaced persons. Each farmer was allotted $12\frac{1}{2}$ acres of land, the total area covered being 178,000 acres. The farmers had to become members of a co-operative society which supplied interest-free credit to purchase agricultural equipment, construct houses and godowns for storage, etc. It provided irrigation facilities, maintained improved implements and provided marketing services. Social services like mosques, schools and drinking water were also supplied by the society. This experiment was studied by the National Planning Commission in April 1959. The Commission found that it had undoubtedly achieved a measure of success. No doubt, it involved an element of compulsion but, as the Second Plan has put it, "for a poor and backward country a certain amount of guidance and supervision seems inevitable if co-operative action, however limited in scope, is ever to make any headway."¹

The Second Plan suggested that "co-operative land management on the lines of the Punjab experiment should be introduced in other

1. *Second Plan*, op. cit., p. 130.

areas, particularly the areas recently opened up by the large irrigation projects," with necessary assistance with regard to management and technical advice. Co-operative farming is the only effective solution of the problem of small, fragmented, uneconomic holdings. All efforts should be made to induce people to adopt this system, including concessions in land revenue and water rates. A certain amount of compulsion is also justified in the initial stages.

The Government is considering a proposal for transferring property rights in the land to the co-operative farming societies already formed on Government land. This may be done provided proper safeguards are introduced against the land-ownership passing into individual hands, thus leading to the breakdown of the co-operative farming system. In the meantime a programme of experimentation for the introduction of mechanised farming through co-operative societies has been undertaken in Comilla in East Pakistan and similar plans have been introduced in the co-operative societies of the western wing. Expansion of such programmes on the basis of subsidised services and subsidised machinery is under consideration of the Government.

12 · 15 Co-operative Marketing

We have already noted in our chapter on Marketing that to improve the economic position of the cultivator increase in production is not enough. Attempts must be made to get him a fair price for his produce. We have also seen that during the period before the Partition a large number of intermediaries used to deprive the farmer of a fair return to his labour as a producer. The produce was usually disposed of through three agencies:

- (a) The village shopkeeper made small purchases on cash or barter basis and took the produce to the nearest *mandi* after thus collecting it.
- (b) Itinerant purchasers like *beoparis*, *telis* or *kumhars* bought the produce in the village on their own account or as agents of *mandi* financier.
- (c) In most cases the cultivator took the produce to the *mandi* himself.

Whatever the procedure adopted, the producer got a comparatively low price and the middlemen made enormous profits.

To save him from such exploitation the Co-operative Department of the former Punjab organised commission shops. These shops, however, did not make direct purchases, but handled the

produce for being sold on commission basis. They could also give advances to the extent of 75% of the value of the produce till it was actually sold. But these shops could not give the same facilities, such as unsecured credits, as other commission agents. It was mainly because of this that they failed to command the loyalty of the members. In addition there were some sale societies which purchased the produce outright for subsequent sale to other dealers. But there was no arrangement for ultimate disposal of the produce on a co-operative basis. Such societies could not succeed in the absence of co-operatives which could take the place of the big dealers in the *mandis*. Moreover, they had to face hostility from the private *arhtiyas*. Even then they rendered a useful service to the producer by acting as an alternate agency available to him free of malpractices. In fact, they drew public attention to the malpractices of the *mandi* middlemen and thus led to the regulating legislation.

After the Partition, these societies rendered even greater service, since they filled the gap caused by the exodus of the non-Muslim dealers. The amount of business handled by them before and after Partition in the Punjab is shown by the table below.

Table No. 33¹

**Operations of Co-operative Marketing Societies in the
Punjab (1946-53)**

Year	No. of Societies	No. of Members	Quantity of Produce Handled (Mds.)	Value of Produce Handled (Rs.)
1946 (United Punjab)	26	5,179	1,129,140	12,796,211
1948 (Pak. Punjab)	42	4,312	2,063,750	25,443,480
1950 (Pak. Punjab)	44	3,819	995,415	15,261,737
1953 (Pak. Punjab)	44	3,817	890,320	15,248,894

In West Pakistan the co-operative movement has utilised only these types of societies. In East Pakistan the newly established multipurpose societies undertake marketing of the produce of their members. Some such societies also exist in West Pakistan. There is yet no co-operative marketing system organised on a systematic basis. The Co-operative Enquiry Committee of 1955 enumerated the

1. Report, Co-operative Enquiry Committee (West Pakistan), 1955, p. 65.

following main questions which must be tackled by a successful co-operative marketing system:

- (a) Facilities for producer to dispose of his produce;
- (b) Provision of necessary finances;
- (c) Adequate storage arrangements;
- (d) Transport of the produce from the village to the *mandis*;
- (e) Standardisation of produce;
- (f) Processing; and
- (g) Ultimate disposal.

The Committee proposed a system of co-operative marketing to tackle these problems. "In the proposed set up," thus runs the summing-up of these proposals, "the primary society will deal with the marketing of the produce in the villages. In the *mandis*, secondary institutions will be formed and the primary societies of all those villages which are served by a particular *mandi* will be affiliated to the secondary institution in that *mandi*. For the final disposal of the produce a tertiary organisation at the provincial level would be necessary. It will dispose of the produce internally for consumption and externally for export."¹ The storage facilities and standardisation and processing, where necessary, will be provided at the secondary level and finances supplied by the Central Co-operative Banks or higher institutions as the case may be. This is good enough a model.

The scheme proposed by the Second Five-Year Plan was almost identical. In the words of the Plan, "In sizable market towns there should be a co-operative marketing society (secondary level) which should handle the produce of its constituent primary credit societies as well as of their individual members. The marketing societies will undertake the disposal of produce, construct godowns at suitable centres and supply improved seeds, fertilisers and other requirements of the members."²

The Plan proposed to establish 100 marketing societies in West Pakistan, each serving about twenty to thirty-member primary co-operatives. They were to market the produce and buy supplies needed by members. In East Pakistan thirty central multipurpose societies were to be reorganised. They were to act as central marketing association for the affiliated union societies. They were to purchase the produce from them as well as from their individual members.

1. Ibid., p. 68.

2. *Second Plan*, op. cit, p. 180.

The Provincial Governments, following these recommendations, prepared programmes during the Second Plan for the purpose of reorganising the co-operative credit and marketing structure. The necessity of reorganising primary societies was reiterated by the Second Plan. According to the new structure, Central Banks and Apex Banks should have no individuals as members. Further, it was recommended that in every sizable market town there should be a co-operative marketing society (secondary level) to handle the produce of its constituent primary societies and for their individual members.

Following the programme of the Second Plan in East Pakistan, 500 union (primary level) multipurpose co-operative societies and thirty central (secondary level) multipurpose societies were developed and reorganised and a Provincial Marketing Society was established. Further, the Provincial Co-operative Bank, fifty-four Central Banks and seven Land Mortgage Banks were also reorganised and nine District Land Mortgage Banks established.

In West Pakistan, 500 large-sized co-operative societies at the primary level, sixty-five marketing societies at the central level and about 3,000 service societies were organised during the Second Plan period.

In East Pakistan co-operative banks at the secondary level have totally stopped lending to individuals, though in West Pakistan no progress has been made in this respect.

A rural credit fund has been set up in the State Bank for making medium-term loans and advances to co-operative banks and medium and long-term loans to rural credit agencies. By 1963-64 Rs. 3.5 crores had accumulated in this fund.

In 1962, the State Bank prepared a five-year Action Plan (beginning from 1963-64) for both the Provinces. Important aspects of these programmes have been included in the Third Plan.

Credit co-operation, which is regarded as the core of the co-operative movement in the agricultural sector, will be given much greater attention during the Third Plan period. The programme will cover twice the number of primary and secondary societies reorganised for linking credit and marketing compared to the Second Plan period. Already reorganised societies will improve their working efficiency. Thus an attempt will be made to cover the

bulk of the short-term and medium-term credit requirements. The long-term credit needs will be left to be covered by the Agricultural Development Bank.

Due to good results achieved by the Co-operative Farming Societies in the Montgomery and Multan districts in bringing new areas under cultivation and in increasing agricultural production, the experiment (with farmers retaining individual holdings) will be extended to other areas during the Third Plan.

It is realised that the main reason for the slow and uneven growth of co-operative movement in Pakistan has been the lack of general and special education among the people. Efforts will, therefore, be made in educational institutions to introduce the teaching of the principles of co-operation. Educational campaign will also be carried on by the paid secretaries of the reorganised co-operatives. Further, the co-operative college and six co-operative training institutes which started functioning in West Pakistan during the Second Plan period will be strengthened. In East Pakistan a co-operative college and four zonal institutes in four Divisions have already been established. The number of the latter will be increased to eight during the Third Plan period.

A Credit Advisory Committee was established during the Second Plan by the Ministry of Finance under the auspices of the State Bank. It provides machinery for consultation and co-ordination of the activities of rural credit agencies. During the Third Plan the work of this body will be enlarged.

12.16 Evaluation of the Movement

The co-operative movement in the Indo-Pak sub-continent has been subjected, from time to time, to the searchlight of criticism by various writers, committees and commissions. On the one hand, the achievements of the movement and its possibilities have received high praise and, on the other, the movement has been regarded as an utter failure. Some have regretted its official character, while others have regarded this feature of it as an element of hope and strength. The Royal Commission on Agriculture almost forty years ago appraised the movement as follows: "Knowledge of the co-operative system is now widespread, thrift is being encouraged, training in the handling of money and in the elementary banking principles is being given. Where the co-operative movement is strongly established, there has been a general lowering of the rate of interest charged by the money-

lender, the hold of the money-lender has been loosened, with the result that a marked change has been brought about in the outlooks of the people."¹

An authoritative writer on rural problems of the Punjab, M.L. Darling,² wrote: "It is difficult to give conclusive evidence of this (moral) progress, as the signs of moral progress are too elusive to be pinned down in a statement of facts, but for all that, they are unmistakable to close observers of the movement. Litigation and extravagance, drunkenness and gambling are all at a discount in a good co-operative society, and in their place will be found industry, self-reliance and straight dealing, education and arbitration, thrift, self-help and mutual help." Thus, it was claimed for the movement that it had reduced the rate of interest in rural areas, encouraged the habit of saving and investment, decreased consumption borrowing and improved the moral tone and outlook of the people.

On the other hand, the critics of the movement pointed out that most of the achievements claimed for it were of a qualitative character and could not be definitely established or measured. Further, they asserted that results that were actually achieved were associated only with the societies which formed quite a small proportion of the movement. They also emphasised the fact that co-operation in India had been mainly occupied with the problem of rural credit and even in that field its achievements were not very remarkable. Even an official body like the Central Banking Enquiry Committee, 1931, had to admit that there was very little evidence about the reduction of total indebtedness through the agency of the co-operative credit societies for they were not in a position to finance agriculturists adequately for the discharge of old debts. The various Provincial Banking Enquiry Committees also noted that only a small percentage of the current needs of agriculture was supplied by co-operative societies. It was further pointed out by some writers that official figures of the number, membership and capital of the societies were unreliable.³ Even on the basis of these figures the movement had touched only a small proportion of the total population. "All that

1. Report, Royal Commission on Agriculture in India.

2. Darling was once Registrar, Co-operative Societies in the pre-Partition Punjab.

3. See S. K. Iyenger's article in the *Indian Economic Journal*, January 1942, pp. 406-08, for examples of defective presentation of figures.

has been done," wrote an eminent Indian writer (Sir M. Visvesvaraya), "amounts only to a scratching of the surface."

As long ago as 1928, the Royal Commission on Agriculture, while referring to the increase in number of societies, observed that "increase in numbers has not always been accompanied by improvement in quality." About a quarter of a century later, the Agricultural Enquiry Committee of Pakistan (1952), while recommending the creation of a national co-operative organisation under official guidance and supervision, observed that the organisation "will need to be built on the present foundation," which they regarded in general as "disappointingly weak," in which reform would be needed in any case. An Expert Committee on Co-operation appointed on the recommendation of Pakistan Agricultural Enquiry Committee, reporting in 1955, observed that "co-operation has suffered and cannot be expected in its present form to serve as a vehicle for national development and advancement."

As to the reasons for these failures authoritative opinion has given similar views. According to the Royal Commission on Agriculture, the reasons for low quality would appear to be "that while societies have been registered freely, there has been lack of patient and persistent education of the members in the principles and meaning of co-operation by teachers competent to perform the task efficiently under adequate supervision." Other reasons given by the Commission were premature withdrawal of supervision and guidance, inadequate training of members to assume responsibilities thrown upon them, resentment against undue official interference, unsound transactions, etc. The main causes given by the Co-operative Planning Committee (1946) for the limited progress of the movement in India were "the *laissez-faire* policy of the State, the illiteracy of the people and the fact that the movement did not, specially in its initial stages, tackle the life of the individual as a whole." Among the other causes mentioned by the Committee were: the small size of the primary unit and undue reliance on honorary services for even day-to-day work with resultant inefficiency and mismanagement.

The National Planning Board in the First Five-Year Plan quoted with approval the following judgment pronounced in the Report of the Rural Credit Survey of India as equally applicable to Pakistan: "It is generally recognised that the development of co-operative credit movement in India has been inadequate in three important

respects. There are large parts of the country which it has hitherto not covered; even in those areas to which it has extended, there are large sections of agricultural population which still remain outside its membership; and even if attention is confined to those who are members of co-operative credit societies, large bulk of their credit requirements are met from sources other than co-operatives. What is not as widely recognised is that the magnitude of this three-fold inadequacy is such as to warrant, from the quantitative as distinguished from the qualitative aspect, only one judgment, namely, 'failure,' on the fifty years' record of the Co-operative Credit Agency in this country. The data of the Survey confirm that no other description of the record would be appropriate." To this judgment the National Planning Board added further: "It is probable that, if a survey were carried out in this country, an even more unfavourable judgment would have to be pronounced." In the opinion of the Board, "This failure is attributable in a large measure to the socio-economic environment in which co-operatives have to function: poverty, widespread illiteracy, uneconomic land holdings, lack of business experience, violent price fluctuations, village factions, petty official exploitation and official high-handedness, domination of co-operative institutions by powerful individuals and urban interests, reluctance of members to deal impartially and scrupulously with their friends and neighbours, the large magnitude of overdues, and so on."¹ The Credit Enquiry Commission of 1959 has talked in similar terms about the general causes of the meagre achievements of the movement.

All these judgments are very true and show a remarkable degree of agreement, even though they cover a whole generation, regarding the causes of failure of the movement. Nevertheless, all the Commissions and Committees and individuals of authority, who have expressed their views on the movement, have been of the opinion that co-operation is the only hope of the farmer. What is required is not abandoning the movement, but its rectification through the removal of the various defects that have been discovered in its working during the last over sixty years of its life. Most of these defects are ultimately traceable to the lack of the co-operative spirit among the people. This basic defect cannot be removed in a day. A long process of education in the widest sense of the term its needed, which will be acquired as a by-product of the process of economic

1. *First Five-Year Plan*, op. cit., p. 287.

and social development. Much is sometimes made of the fact that the co-operative movement in this sub-continent did not arise out of the consciousness of a need on the part of the people. It was imposed from above through Government action to solve the problem of the growing menace of rural indebtedness. The movement later spread to other fields but it never lost its official character. This is true; but it could not be helped, because of the general illiteracy and backwardness of the people. If the State had not taken the initiative, the people perhaps would never have thought of co-operation as a method of solving their problems. In fact, official agency could have done even more than it actually did. There is no question of withdrawal of Government responsibility and control in this connection. The First Five-Year Plan particularly emphasised the role that the State must play in this regard. "Co-operation," in the words of the Plan, "must remain the responsibility of the Government until the social and economic conditions of the country, as a whole, and of the rural areas in particular, undergo a radical transformation."¹ The Second Plan also implicitly accepted this position.

13 · 17 Conditions of Success

The movement has made a more rapid progress and without official patronage, in some of the countries of Europe. Moreover, there much more is expected of co-operation than mere material well-being through the supply of credit and other needs of the farmer. "It is expected to transform the whole human being, his personality, character, attitude to the community and attitude to life."² Denmark is a classical example. But conditions in Denmark differ greatly from conditions that have prevailed in the sub-continent of India. According to Sir John Russell, four essential conditions of success are present in Denmark:

(1) The village population is homogeneous; there is nothing corresponding to caste distinctions.

(2) The cultivators are literate.

(3) From the outset, people's high schools were set up where cultivators were taught better living both in the home and in the village and where ideas of corporate responsibility in village and

1. Ibid., p. 223.

2. *Co-operative Action in Rural Life*, a survey by the International Labour Office, p. 30.

national life were inculcated.

(4) The co-operative societies are mostly trading societies, taking over the produce from the cultivator, working it up into marketable form and selling it for him. Also they supply him with all materials for use in the home and on the farm. They are merely financed by the local banks and members are jointly and severally liable to the loans. As depositors the members provide a substantial part of the funds; it is their own money that is lent to members, and in consequence each borrower feels himself under the necessity of repayment.¹

In Pakistan to-day, the population is much more homogeneous and the force of caste is not so strong as in the rest of the sub-continent. The percentage of literacy, however, is low. There are no educational institutions corresponding to people's high schools of Denmark, nor have they been in the past. Corporate responsibility is almost entirely absent. The cultivators are too poor to be able to provide a substantial part of the funds of local banks.

In fact, one of the chief causes of the slow growth of co-operation in Pakistan has been the meagre income of the masses. A vast majority of the peasants lack the means even to become members of the societies. The words of the Bengal Banking Enquiry Committee are still applicable: "At the end of the scale there are people who are so well off that they do not desire to incur the risk of unlimited liability by enlisting themselves as members. At the other end, there are persons who are so poor that they are refused membership. It is, therefore, not unfair to assume that the co-operative population represents the medium agricultural population."² It is, therefore, not a matter of accident that the comparatively more prosperous rural population of the Punjab made the highest progress in co-operative activity in the whole of undivided India. In Pakistan also this area is leading the others in this respect.

On the whole, however, Pakistan lacks the conditions which make for the success of the co-operative movement. But there is no occasion for despair. For one thing, co-operation, short of socialism, is the only hope of our rural masses. We must make the best of it in spite of the adverse character of the environment. That co-operation can succeed especially in Pakistan, is indicated by the excellent results

1. Sir John Russell, *Report on the Work of the Imperial Council of Agricultural Research*, 1937, p. 63.

2. Banking Enquiry Committee Report, p. 69.

achieved, especially in the field of non-credit co-operation since Partition. The marketing societies of the former Punjab, the N.-W.F.P. and East Bengal did brilliant work during the post-Partition period. Co-operative farming experiments, in both the wings with all their limitations, are encouraging. Industrial co-operatives also have shown good results, especially in the rehabilitation of refugee artisans. With the spread of education and greater co-operative experience, with the transfer of larger powers to the common people under the Basic Democracies, the rate of progress is bound to increase.

12 · 18 Suggestlons for Improvement

The Pakistan Agricultural Enquiry Committee (1952) made some valuable suggestions for the improvement of the movement. The Committee was in favour of continuing guidance, supervision and control of the movement on the part of the State. But they emphasised that the process of educating the people with the aim of ultimately making the movement self-generative must continue. The Committee recommended that the Registrar should be given wider powers in the appointment and displacement of the staff engaged by the societies and determining the terms of their service. Such power, however, is likely to be resented by the societies. The democratic control on the part of members should be preserved. The Registrar may, however, have the power to interfere in cases of mismanagement and corruption. The Committee rightly drew attention to certain defects in co-operative legislation in certain areas of Pakistan which hinder the recovery of the debts of the society. "Insufficient distinction is made," wrote the Committee, "between the claims of co-operatives and the claims of other creditors, institutional and otherwise." This defect needs to be removed. Another useful suggestion of the Committee was that the village co-operatives should extend their services to non-members at a higher price. This may be tried as an experimental measure only, because the danger is that non-members, by getting more or less equal facilities, may not think it worth their while to become members. Finally, the Committee were of the view that "for societies other than credit and for societies which have sectional activities in addition to credit, the condition of membership can conveniently be on a limited liability basis provided credit section is on an unlimited liability basis."¹ The suggestion is

good in principle, but it will give rise to practical difficulties in the case of multipurpose societies. The Credit Enquiry Commission, as we have seen, also favoured the trend towards limited liability.

In March 1957, the then Prime Minister of Pakistan called an All-Pakistan Conference on Co-operation, Credit and Marketing in order to outline the measures needed for the reform and rehabilitation of the co-operative movement. Among the measures suggested by the Conference were: the need for a rural credit survey; reconstruction of rural credit structure; State participation in the share capital of larger co-operative societies, especially at the apex level; and organisation of co-operative farming by establishing societies which would allow the owner to retain the proprietary and land-use rights over his land, but would undertake to cater to his requirements of fertilisers, improved seeds and modern implements, arrange for marketing of the produce and would lay down an agricultural plan in matters of cropping, etc., for the individual members who would be required to plan the cultivation of their holdings accordingly. As regards marketing, the Conference recommended that the agricultural marketing staff should be adequately strengthened to carry out their functions of survey of marketing conditions, education and development, supervision and regulation effectively, that compulsory grading of exportable agricultural commodities and those consumed internally be implemented early, and that marketing and credit societies should be linked. The establishment of consumer, industrial and labour co-operatives was recommended and the need for co-operative education was greatly emphasised. Many of these suggestions have already been carried out.

12 · 19 Co-operation under the Plans

In the First Five-Year Plan, the responsibility of the Government for assisting, influencing, supervising and controlling the co-operative movement as a part of the rural development programme was stressed. According to the Plan, it must improve and advance in unions with other parts of the programme. The Planning Board suggested that initially two or three co-operative planning groups should be formed in each Province under the officials of the Civil Service, experienced in rural problems, assisted by a senior co-operative officer, a representative of the State Bank of Pakistan, a representative of the Provincial Co-operative Bank, and a co-operative accountant. These teams should survey the co-operative credit institutions. Credit societies should be classified into three grades: (a) those which are

functioning fairly satisfactorily; (b) those which can be rehabilitated with reasonable financial and staff assistance from Government; and (c) those which appear to be incapable of rehabilitation. The activities of the first category should be extended and intensified; the second type should be assisted as required and measures should be taken to close the third kind. The rehabilitation programme should be based on the report of the planning group suggested above, and should include, where necessary, (a) an increase in the size of primary societies, (b) extension of operations, both in variety and volume, and (c) appointment of new staff at the expense of the State. These suggestions deserve more attention than they have received so far.

One of the causes of the slow progress of the movement, as already noted, has been the inadequacy of suitable personnel trained in the principles of co-operation. The First Plan suggested that co-operative colleges should be established, one in East and the other in West Pakistan, for imparting training to all co-operative workers, official or otherwise. This was done during the Second Plan period. The Plan further emphasised (and the Second Plan reiterated the same suggestion) the necessity of linking credit and marketing needs of the farmer in order to ensure that he will be able to market his produce through a co-operative society and at the same time is able to get credit facilities from the same agency. Arrangements are to be made in such a way that the amount borrowed by the farmer is deducted from the sale proceeds of his produce after it has been sold through the co-operative agency. As to the size of the primary societies, the Plan suggested that they should be organised in such a way that they become economical units and have a sound administration. The Plan made suggestions for the improvement of the co-operative banks at the district level. But it regarded the rehabilitation of the primary village society as the crux of the problem, of improving the movement. "The battle of co-operation will be won, when the village co-operatives begin to perform their functions satisfactorily, whether they are financed by co-operative banks, the Agricultural Bank or from other sources."¹ The Second Plan also expressed the same view.

1. *Plan*, op. cit., p. 296.

CHAPTER 13

State and Agriculture

13 · 1 The Role of the State

What part does the State play in relation to agriculture? In every country the State has to perform basic functions of preserving law and order, recognition of rights in property and enforcement of contracts. Without such protective activities, no economic life is possible. We have already discussed some of the functions the State performs in relation to agriculture in Pakistan apart from the above basic functions. The State has constructed huge irrigation works, extensive roads and railways; it provides credit for agricultural improvements directly, and, by creating statutory bodies for this purpose, it has initiated and it controls and supervises the co-operative movement, and it has passed many legislative measures for the protection of the tiller of the soil from the money-lender and the landlord. Moreover, through its Medical, Public Health and Veterinary Departments, it seeks to preserve and improve the health of the agriculturist and his livestock. The Education Departments also do their part to spread literacy in the rural area. In recent years it has undertaken the task of planning development including agricultural development at the national level. This will occupy our attention in the second volume of this work under Development Planning. There are certain activities of the State, however, that still remain to be discussed in the present context. Such activities are:

(a) *Activities in connection with the improvements in the methods*

of carrying on agricultural operations. They are undertaken primarily by the Provincial Agricultural Departments with valuable help from the Central Government agencies and institutions. These involve: (i) agricultural research with regard to seed, manure, implements, pests and diseases, etc.; (ii) agricultural education, aiming at producing agricultural research workers, officers for the agricultural departments and practical farmers; and (iii) popularisation of results achieved through research by propaganda, distribution of seeds, manures and implements, etc.

(b) *Rural reconstruction.* This activity is of a wide scope involving both official and non-official effort. It aims at raising the material, mental and moral level of village life as a whole. It involves, through suitable agencies, bringing to the door of the villager, in a practical form, the benefits that the various beneficent departments of the Government can confer on him. The Village-AID programme falls under this category. More recently these aims are being achieved through the institution of Basic Democracies.

(c) *Land revenue policy.* This concerns primarily not what the State gives to agriculture, but what the State demands from it. But it may have a relief aspect, when, during periods of agricultural distress, the State may reduce, suspend or remit the land revenue charge. In fact, the land revenue Policy has a lot to do with agricultural prosperity. This we shall discuss in the next chapter.

Let us take the Agricultural Departments first.

13 · 2 Evolution of Agricultural Departments in British India

The idea of establishing a "Department of Agriculture" was mooted as early as 1886, but it was not until 1870 that the "Department of Agriculture, Revenue and Commerce" was created by the Government of Lord Mayo. Due to lack of sympathy from White Hall, however, this department gradually degenerated into a Revenue Department, and was finally absorbed in the Home Department.

In 1880, at the recommendation of the Famine Commission which reported in that year, the Central Department of Agriculture was re-established and also Provincial Departments were created. The Provincial Departments concerned themselves at first with agricultural statistics. Experimental farms, however, were opened at Saidpet (1871), Poona (1880), Cawnpore (1881) and Nagpur (1883).

In 1889, Dr. J. A. Voelcker of the Royal Agricultural Society

was appointed to inquire and report on the improvements of Indian agriculture. His monumental Report appeared in 1893. He emphasised the need for better irrigational facilities and the use of better manures. He attributed low productivity to smallness of holdings, want of capital, rural indebtedness and defective land tenures. He laid stress on the need for detailed scientific investigation regarding agricultural practice in India. He gave a warning against the belief that Western knowledge could simply be grafted on Indian practices. This Report was followed by some appointments to the scientific staff of the Imperial Department of Agriculture.

In 1898, Sir Frederick Nicholson suggested that the Government should turn from agricultural inquiry to agricultural improvement. In 1901, the Famine Commission pointed out that "the steady application to agricultural problems of research is the crying necessity of the times." The Commission recommended: (i) a strengthening of the staff of agricultural departments in all Provinces; (ii) further legislation on the lines of the Punjab Land Alienation Act, 1901; (iii) introduction of co-operative credit societies on German lines. The Irrigation Commission of 1903 also emphasised the importance of agricultural research and improvement.

In the meantime, in 1890, an Agricultural Chemist to the Government of India had been appointed. In 1901, the first Inspector-General of Agriculture was appointed. The same year was added an Imperial Mycologist. In 1903, an Imperial Entomologist was appointed. The same year an American, Mr. Henry Phipps, donated a sum of £30,000 for scientific research in India. Lord Curzon devoted the greater part of this sum to the establishment of the Imperial Agricultural Research Institute at Pusa.

The reorganisation of the Department of Agriculture that took place in 1905 provided for a Central Research Institute at Pusa, completely staffed Provincial Departments of Agriculture, with Agricultural Colleges and Provincial Research Institutes and an experimental farm in each important agricultural tract.

In 1906, the Indian Agricultural Service was constituted. Other central institutions that were created in subsequent years were: the Imperial Cattle Breeding Farm at Karnal, the Creamery at Anand and the Imperial Sugarcane Breeding Station at Coimbatore. This last was a branch of the Imperial Institute which was transferred

from Pusa to New Delhi after the Bihar Earthquake of 1934.

Institutions and departments were also established in connection with animal health. The Imperial Institute of Veterinary Research at Muktesar, started in 1893 as a small observatory for research on rinderpest, later became a fully equipped research institute. The Civil and Veterinary Department was formed in 1891 and was under the control of the Inspector-General until 1912. This department was completely provincialised in 1919. The Government of India, however, continued to finance and control the Muktesar Research Institute and its branch station at Izzatnagar (Bareilly).

13 · 3 Agriculture Provincialised

Under the Reforms of 1919, Agriculture became a Provincial Transferred Subject and the Veterinary Department was also provincialised. The Central Government still had some powers of supervision, direction and control over transferred subjects, but it could not incur expenditure from central revenues on provincial subjects, except on agricultural research and training of research workers in the central institutions. The various central institutions, however, continued to be under the Central Government.

The Provincial Ministries during Dyarchy (1921-1937) were not able to do much for agricultural development beyond some extension of irrigational facilities. One of the reasons was that finance was still a reserved subject and thus beyond their control. This deficiency was removed under Provincial Autonomy which was inaugurated from the 1st of April, 1937. But in the meantime from 1930 onwards Indian agriculture was overwhelmed by the Great Economic Depression.

The trouble all along had been that from the Reforms of 1919 onwards, while the main responsibility of agricultural development was being shifted from the Centre to the Provinces, the main expanding sources of revenue were being preserved for the Centre, and the Provinces had to rely on sources of revenue (mainly land revenue), which had very little scope for expansion. In fact, the land revenue burden had to be reduced if full justice was to be done in the distribution of the burden of taxes. No wonder, therefore, that the Provincial Government could do very little to stimulate agricultural progress. The most they did was to pass certain protective measures to save the tenant from exploitation by the money-lender, the landlord and the middleman. These measures have received our attention elsewhere.

An event of great importance for the agriculturist during the period between World War I and the Depression was the appointment of a Royal Commission on Agriculture. It is necessary to know something about this Commission.

13 · 4 The Royal Commission on Agriculture

The Royal Commission was appointed in 1926 "to examine and report on the present condition of agriculture and rural economy in British India and to make recommendations for the improvement of agriculture and the promotion of the welfare and prosperity of the rural population and in particular to investigate:

- "(a) the measures now being taken for the promotion of agricultural and veterinary research, experiment, demonstration and education: for the compilation of agricultural statistics for the introduction of new and better crops and for improvement in agricultural practices, dairy-farming and the breeding of stock;
- "(b) the existing methods of transport and marketing of agricultural produce and stock;
- "(c) the methods by which agricultural operations are financed and credit afforded to agriculturists;
- "(d) the main factors affecting the rural prosperity and welfare of the agricultural population, and to make recommendations."

The problems of land revenue and land tenure were excluded from the scope of the Commission's inquiry. This was unfortunate, since these were among the basic problems of Indian agriculture. The Commission issued a comprehensive report in 1928 which in subsequent years formed the basis of all fruitful discussion and Government action in matters relating to the subjects discussed by the Commission.

The recommendations of the Commission covered a very wide field including subjects like sub-division and fragmentation of holdings, improvement of livestock, irrigation, marketing, co-operation, rural education and rural reconstruction. Generally speaking, the aim of the recommendations was to bring about greater efficiency throughout the whole field of agricultural production, in order to render the business of farming more profitable to the cultivator. They emphasised the necessity of widening the outlook of the peasant and stressed the importance of Government initiative in promoting

agricultural progress. One of their basic suggestions was that the rural problem should be tackled as a whole in all its various aspects simultaneously.

One of the most important recommendations of the Royal Commission was the creation of the Imperial Council of Agricultural Research "to promote, guide and co-ordinate agricultural research throughout India and to link it up with agricultural research in other parts of the British Empire and in foreign countries." This Council was established in 1929.

13 · 5 The Impact of Depression

Before the Government could mobilise its machinery to implement the recommendations of the Commission, Indian agriculture was caught in the vortex of the Great Depression. The attention of the Government was thus diverted to defensive rather than positively constructive measures. The Depression affected agriculture more seriously than industry all over the world, because of the less elastic nature of the supply of its products. Agriculture in a country like India suffered even more because of its primitive and scattered character and the rigidity of the costs of production. Due to fall in prices of agricultural commodities, the value of total agricultural production in India was seriously reduced. The value of principal crops in British India declined from Rs. 10,21 crores in 1928-29 to Rs. 4,74 crores in 1933-34—a fall of nearly 54%. Since the prices of industrial goods fell less, the terms of trade turned against all agricultural countries, particularly of the type like India. Due to adverse movements of relative prices of imports and exports, the balance of trade became adverse and the country was hard put to it to meet her foreign obligations on invisible accounts. While the income of the peasant fell, the burden of his debt increased due to the same causes.

Until the coming of Provincial Autonomy in 1937, the Government took little action to meet the situation created by the Depression. Some trade agreements were signed (e.g. Ottawa Agreement, 1932; Indo-Japanese Pact, 1934; Mody-Lees Pact, 1935), but here the motives were not to encourage Indian trade but to strengthen Imperial ties, the only exception being the Indo-Japanese Pact of 1934. A protective duty, however, was imposed on wheat and wheat flour. The rupee was delinked from gold but that was to keep up the sterling link at the old ratio. The general monetary and fiscal policy of the

Government was deflationary which further accentuated the situation. An important event of the period was the establishment of the Reserve Bank of India in 1935, with its Agricultural Credit Department. This department must be given the credit of devoting itself to the study of wider problems of rural reconstruction. It gave expert advice to agricultural, co-operative and other departments and made valuable contributions to the building up of literature on the problems of agricultural credit and in fact general rural reconstruction.

13·6 Agriculture under Provincial Autonomy

With the establishment of Provincial Autonomy in 1937 the policy of the Provincial Governments towards agriculture received a new vitality. The problem of rural indebtedness accentuated by the Depression was still in the forefront and received high priority. Legislative measures were passed to reduce the burden of old debts and also to regulate the practices of money-lenders. Reform of tenancy was another line of useful legislation. To co-ordinate the activities of the various nation-building departments of the Provinces like education, health, co-operation, agriculture and veterinary, and to bring their findings to the peasant's door, Rural Reconstruction Departments were established in the Provinces. Before much could be achieved, however, World War II broke out in September 1939 and created new problems and diversions for the Government. The Congress Ministries in the Provinces resigned and the new coalitions that took their place hardly commanded the confidence of the people.

13·7 The Impact of World War II

The war brought about its own needs and problems. The economy had to be mobilised towards maximum war effort. The policy of war finance led to inflationary rise in prices. Agricultural prices were kept under control in response to the demands of the local urban classes. The agriculturist who had suffered during the Depression was able to take full advantage of the opportunities for higher returns offered by the war. Some commodities suffered due to the loss of Continental markets. A major famine struck Bengal due to the loss of Burma and neighbouring areas, the sources of imported food-grains (rice), to Japan and also bungling on the part of the Provincial and Central Governments. Hoarding and black-marketing were rife. Large landlords made high profits, while the small peasant gained

little. In fact, he had to pay higher prices for his non-agricultural purchases. The problem of food scarcity was tackled by stopping exports of foodgrains and their imports from Australia and Canada. A "Grow-More-Food" campaign was organised with limited success. The Bengal Famine Commission which investigated into the causes of that great catastrophe recommended lines of agricultural policy in their Report published in 1945.

The Government activities in relation to agricultural development in its technical aspects were the responsibility of the Provincial Departments of Agriculture and the Central institutions. Before the Partition, the most important Central institution relating to agriculture was the Imperial Council (later called Indian Council) of Agricultural Research.

13·8 Provincial Agriculture Departments

The present organisation of the Provincial Agricultural Department is as under. There is a Secretary to the Government of West Pakistan in the Agriculture Department. The technical head of the Department is the Joint Secretary. The Province has been divided into three regions—Peshawar, Lahore and Hyderabad regions. Each region is under a (Regional) Director. There is a Deputy Director in each Division and an Extra Assistant Director of Agriculture is in charge of each District. The field staff consists of Agricultural Assistants and Moqaddems. There is generally one or more Agricultural Assistants in each Tehsil while one Moqaddem is now proposed for each Union Council.

The functions of the Provincial Department comprise the supervision and control of: (a) agricultural education, (b) agricultural research, (c) demonstration and propaganda, (d) distribution of improved seeds, implements and artificial manures, etc. Some of these functions have been passed on to the Agricultural Development Corporations established a few years ago, one in each Province. As regards agricultural education and research we have an Agricultural University and an Agricultural Research Institute at Lyallpur and Colleges at Tando Jam (old Sind) and Agricultural Institutes at Peshawar and Dacca. Agricultural Colleges and University impart agricultural education, both theoretical and practical. They, along with Research Institutes also carry on research on agricultural problems, either independently or under Central guidance. The research

relates to the evolving of better varieties of seed from the point of view of yield, and disease and drought-resisting qualities, pests and diseases to which crops are subject, better implements and manures, etc. The results of this research are then tested on experimental farms, attached to the university, college or the research institute. The next step is to demonstrate them on model farms or demonstration plots located in the villages. Their success is thus proved to the cultivator under his own conditions. Then arrangements are made to produce and supply the seed, the implements or the manures, whatever the case may be, to the cultivator. The improved seed is produced on a large scale on Government seed farms or is purchased from private producers, if necessary. Similarly, implements are manufactured under the guidance of the department. The sale is arranged through stores or depots maintained by the department at convenient places. The help of co-operative societies is also taken, if available, to approach the cultivator.

The Central research organisations are operating under the Food and Agriculture Division of the Presidential Secretariat. They are: Food and Agricultural Council, Central Cotton Committee and Central Jute Committee.

The Food and Agricultural Council was set up in 1949 with the following functions:

- (i) Promoting scientific, technological and economic research.
- (ii) Co-ordinating research into matters relating to food, agriculture, animal husbandry and fisheries, and determining in what order schemes of research shall be pursued.
- (iii) Acquiring and disseminating knowledge relating to food, agriculture, animal husbandry and fisheries.
- (iv) Discharging such other functions as may, by notification in the official Gazette, be assigned to it by the Central Government.

A Pakistan Central Cotton Committee was established in 1948 on the lines of the Indian Central Cotton Committee. The Committee deals with the improvement in the cultivation and marketing of cotton. The Committee is co-ordinating work regarding the production of good quality cotton in Pakistan. This work comprises a large number of schemes—botanical, physiological and technological—which had been undertaken in the Punjab and Sind in the past. A

Pakistan Institute of Cotton Research and Technology was established in 1956 for technological testing of samples used by cotton-breeders. The idea is to produce the finest cotton in Pakistan and to double the present output.

In some districts of the Punjab in 1948, mixing of cotton and cotton-seed took place. To meet such a situation, the Cotton Committee, in consultation with the Provincial and Central Governments inaugurated a scheme under which separate areas for growing different varieties of cotton have been defined and mixing of cotton and cotton-seed has been prohibited. This scheme was later incorporated in an Act.

In 1950, a Central Jute Committee was established which has established a Jute Research Institute to undertake research on all aspects of jute. Until its establishment research work on jute was being continued at Dacca in order to maintain the continuity of research which was being done under the Indian Central Jute Committee before Partition.

Another series of measures relate to the protection of plants against pests and diseases. A plant-protection service was organised immediately after Partition to protect agricultural plants against pests and diseases. A Department of Plant Protection has been established now which has already done some good work. At first it was responsible mainly for controlling the blackhead cricket in Kalat, Sind and Baluchistan where it did considerable damage to wheat, sugarcane and oil-seeds. This service has also undertaken activities like spraying and cleaning of fruit trees against the various kinds of pests. An insectory has been improvised at Karachi, where a parasite which feeds on the eggs of sugarcane borer and thus controls its ravages, is being multiplied and distributed in the affected areas. Resistant varieties of various plants are being evolved as a measure against rust. An organisation of the quarantine of plants has been established in order to prevent the entry into Pakistan of exotic insects and diseases. All imported plants are thus examined and health certificates issued before they are allowed to enter the country.

One of the greatest dangers to plants and trees is the locust. Large breeding areas of this pest lie in West Pakistan as well as in the neighbouring territories of Iran and Arabia on the one hand and

India on the other. In co-operation with these countries, Pakistan has been taking measures to control the locust menace. An anti-locust conference was held in September 1948 at Tehran which recommended that Pakistan should arrange to survey and control locust in the Oman Peninsula, which is an important outbreak centre affecting Iran, Pakistan and India. Measures have already been taken to implement this recommendation. A joint locust survey for Iranian and Pakistanian Mekran (Baluchistan) has been carried out and certain breeding areas for this pest have been located.

Another set of activities of the Government relevant to agricultural development relates to measures for the improvement of cattle and other livestock. Animal husbandry is a Provincial subject. The Central Government, however, is responsible mainly for providing research facilities and post-graduate training and for the co-ordination of the work done at the Provincial level. The Centre has established three Animal Husbandry and Research Institutes, one at Karachi, another at Peshawar and the third at Comilla, for imparting post-graduate training and manufacturing biological products.

The Animal Husbandry Conferences have already been held and their recommendations regarding the measures to improve livestock are being implemented by the Provinces.

The necessity of establishing a proper statistical service for agricultural statistics is fully realised by the Government of Pakistan. This subject was one of the terms of reference of the Agricultural Enquiry Committee which the Government appointed in 1951 and which reported in 1952. The Committee made valuable recommendations for the collection and co-ordination of concrete statistics relating to the rural phenomena. The Central Statistical Office has now undertaken this important task along with other functions related to the collection of statistical data and their publication. The Provincial Bureaus of Statistics have also compiled valuable statistics relating to the agricultural sector. An agricultural census was conducted in 1960.

The Food and Agricultural Organisation of the United Nations has been helping Pakistan in its agricultural problems. On invitation from our Government a number of top-ranking FAO experts have visited Pakistan and undertook a rapid survey of our problems, e.g.

fisheries, underground water resources, waterlogging, agricultural extension service, improved facilities for storage of foodgrains, agricultural machinery, etc.

The Government of Pakistan has asked advice from the FAO under the United Nations Expanded Programme of Technical Assistance in respect of several schemes of great importance. The FAO agreed to lend Pakistan experts on forestry, rural economy, agricultural statistics, animal husbandry and other matters connected with agriculture. A great portion of the expenditure on these experts is met by the FAO. Advice on waterlogging and salinity has been sought and received from experts from U.S.A. and U.S.S.R. who visited the country recently to study this problem and have given their recommendations.

On the recommendations of the Food and Agricultural Commission the Government is establishing Agricultural Development Corporations, one in each wing of the country. More of this presently.

13·9 Village-AID¹ and Rural Development

Eighty per cent of Pakistan's population lives in its about 100,000 villages. These people have many problems and needs, which can be satisfied by them through self-help during their vacant hours. There being considerable under-employment in the rural areas, much of the time is wasted in idleness if not in harmful activities. Under proper leadership, this time can be used productively.

Efforts have been made in the past at rural development, but with only limited success, because of the unscientific approach to them and inadequate range of the efforts. V-AID was another attempt in this direction. "The basic concepts of the Village-AID Programme," in the words of the First Five-Year Plan, "is to provide a means by which technical and financial assistance from the Government can be used to draw forth the resources of skill, energy and money, which exist in the villages, to channel them into productive use, and to create means by which they can be progressively enlarged."²

The Five-Year Plan set forth the following as the most important objectives of the programme:

(a) To raise rapidly the output and income of the villagers

1. AID stands for Agricultural and Industrial Development.

2. *Plan*, op. cit., p. 197.

through better farming and the expansion of cottage industries;

- (b) To create a spirit of self-help, initiative and co-operation among the villagers—a spirit that can be the basis for continuing economic, social and political progress;
- (c) To multiply the community services in the rural areas—such as schools, health centres, pure water supplies, etc.; and
- (d) To create conditions for a richer and higher life, through social activities including recreation for men and women.

It was recognised that there are many obstacles to overcome if the programme of this kind is to succeed. Among these are illiteracy, ill-health, poor communications, inadequate technical staff, backward local institutions, particularly those for credit, for village government and for co-operation, listless and apathetic attitude among the villagers, outmoded traditions, and many others. These obstacles, however, are not regarded insurmountable, provided imagination, drive and energy are forthcoming in adequate measure, which the *LCW* programme was supposed to provide. The basic idea of the programme was to stimulate self-help and arouse enthusiasm among the villagers, so that they may become progressive, self-respecting and confident citizens. The basic unit in the Village-AID programme was a development area normally comprising from 150 to 200 villages, with a population of about one lakh. The staff in the development area consisted of village workers, supervisors, a development officer and technical specialists from the various development departments of the Government.

Each village worker was put in charge of from five to seven villages and each development area had about thirty village workers. Village workers operated under the leadership of development officers. Their function was to keep in continuous contact with the villager and to stimulate and guide self-help organisation in their planning and development activities. They were supposed to provide solutions to many simple problems of the villagers and act as liaison between the villagers and the technical specialists in the development area. The village worker was responsible to the development officer, who in his turn was responsible to the district office. The development officer was assisted by two supervisors. He in fact was the key figure in the rural development work and was expected to provide initiative,

leadership, drive and supervision of the village worker. He ensured co-ordination of all nation-building activities within the limits of Village-AID programme. He was advised and assisted by a committee consisting of non-official leaders and assisted by a committee representing departments working in the area. It was felt that specialist advice was needed in some or all of the following subjects: farm management, animal husbandry, co-operation and marketing, health and sanitation, social education, cottage and small industries, fisheries, forestries, range management, etc.

Some of the important activities carried on under the programme were:

- (a) Formation of youth clubs for boys and girls, which undertook small projects in poultry-farming, sheep-breeding, vegetable and food production, etc.
- (b) Establishment of women's clubs and social centres which undertook projects like clothing, food preparation, household improvement, maternal care, child care, education, etc.
- (c) Establishment of co-operative societies for providing credit and marketing facilities and performing various multi-purpose functions.
- (d) Promotion of agronomy and horticulture, popularising the use of artificial fertilisers, distribution and use of improved seeds for various crops, line-planting of food-crops, use of insecticides, introduction of improved implements, land reclamation and irrigation, animal husbandry, prevention and cure of animal disease, poultry-farming, construction of fish-tanks, etc.
- (e) Health and sanitation measures like digging of wells and the filling up of drainage ponds, prevention of epidemics, improvement of sanitary conditions, providing first-aid and medical care.
- (f) Education and recreation, e.g. opening of adult literacy classes, establishment of recreation and cultural centres, etc.
- (g) Construction of minor public works, e.g. building of roads, bridges and culverts.

For training workers to carry out the programme, training institutes were established both in East Pakistan and West Pakistan. The

first of them was opened in 1953. They produced a large number of trained workers.

The First Five-Year Plan envisaged the setting up of 172 development areas of 150 villages each during the Plan period, covering a little over one-fourth of the entire countryside of Pakistan. By 1960, there were to be seventy-nine such development areas in East Pakistan and ninety-three in West covering a total of over 25,000 villages.

A degree of overall success was achieved with regard to this programme during the First Plan period. The programme was introduced into 176 development areas against the target of 172. The village communities contributed about Rs. 12 millions for education, health and other services and for construction and improvement of roads. About 150,000 agricultural demonstration plots were laid out, 1,000 miles of canals were dug, 3,000 miles of unmetalled roads were constructed and 4,000 miles of old roads were put in serviceable condition. People of development areas were quicker to adopt improved agricultural practices. In general, however, "the accomplishments in agriculture were short of expectations."¹

During the First Plan five double-capacity institutes were set up in East Pakistan and three double and three single-capacity institutes in West Pakistan to train village workers. Nearly 5,000 village workers (including 450 women) were trained in these institutes (1,750 in East Pakistan and 3,250 in West Pakistan).

Certain difficulties, however, arose in the working of V-AID organisation:

- (i) Co-operation between V-AID and the nation-building departments was not satisfactory. Unhealthy rivalry arose which necessitated strong intervention by the Central Government, particularly in West Pakistan.
- (ii) Another handicap was the temporary nature of the V-AID organisation. For this reason it failed to attract an adequate number of people with necessary qualifications and to retain them.

These problems were tackled by integrating the representatives of relevant departments with the Councils of Basic Democracies, which were made responsible for development within their respective

1. The Second Plan (original) provided Rs. 484 millions to carry out the programme formerly entrusted to V-AID.

areas. The V-AID ceased to exist as a separate department and its programmes were entrusted to the village council, the institution of Basic Democracies at the village level. More of this presently.

Over 11,000 additional village workers were required in both the wings to carry out the programme of the Second Plan. To meet the training needs of these workers the Plan proposed the establishment of one single and one double-capacity institute in East Pakistan and doubling of the capacity of one single institute in West Pakistan.

The campaign for adult literacy started during the First Plan continued and attempts were made to remove its shortcomings.

Two Academies for Village Development were established in 1959 at Peshawar and Comilla. They are autonomous institutions under the administration of Boards of Governors. Says the Second Plan: "They are now entrusted with the task of training personnel in the philosophy and responsibilities of Basic Democracies in addition to providing orientation and in-service refresher courses to senior officers and technicians of departments concerned with development programme. The Academies will promote research in techniques of development administration, determination of public activities and the needs of communities, and problems of community development generally."¹

Activities of the kind pursued under Village-AID are now being carried on under the Rural Works Programme through the instrumentality of Basic Democracies. A few words about the latter will be in order here.

13 · 10 Basic Democratic Institutions

The major factor missing in Village-AID was leadership which could become effective through local institutions. Such institutions could serve as a link between the villages and the higher administrative authorities in urban centres where vital decisions were made in respect of the processes of economic development. Such a link was supplied through the creation of institutions of Basic Democracies in 1959. Later these also served as the organ for carrying out works programmes at the village level.

The structure of Basic Democracies, which have been entrusted

1. *Second Plan*, op. cit., p. 393.

with political, social as well as economic functions, comprises of a four-tier system:

- (i) Union Council.
- (ii) Thana/Tehsil Council.
- (iii) District Council.
- (iv) Divisional Council.

Union Council. This basic unit of the system is closest to the village level. A union council may have jurisdiction over a number of villages. The council consists of members (each representing about 200 villages) two-third of which are elected through adult franchise and one-third are nominated by Government from among non-officials.

The main functions of a village council are to provide rural police, undertake small development projects and to co-operate with the Government departments when called for. It can impose local taxes and has certain judicial powers in the matter of minor civil and criminal cases.

In urban areas at this level there are: (i) Town Committees and (ii) Union Committees, the former when the population is less than 15,000 and the latter when it is more.

All Chairmen of Union Committees of a town are members of a Municipal Committee. Members both of Town Committees and Union Committees are elected. They in their turn elect their Chairmen.

These committees look after the various aspects of the town life and undertake development projects. They can raise taxes, levy fees, and get grants from Government to finance their projects.

Thana/Tehsil Council. The next higher tier of the system is Thana Council in East Pakistan and Tehsil Council in West Pakistan. These are constituted by the Chairmen of the Union Councils and Town Committees and Thana/Tehsil level officers of the various Government departments. The number of officials should not exceed the number of representative members. The Sub-Divisional Officer in East Pakistan and the Tehsildar in West Pakistan are the Chairmen of these councils. They are entrusted with the task of supervising and co-ordinating the work of the various union councils and have no authority to impose taxes.

District Council. This body has official and non-official members. The former are selected from district level officers and the latter

include chairmen of union councils, town committees and municipalities. Representative members should not be less than official members. The Deputy Commissioner of the District is the Chairman. It has power to impose taxes and raise funds for its development programmes consisting of building of roads, schools, dispensaries, etc.

Divisional Council. This is the highest tier at the Divisional level. It also consists of official and non-official members, whose number is fixed by Government. It is only a supervisory body and supervises co-ordinates the activities of district council. It has neither power to levy taxes nor to incur development expenditure on its own.

There used to be a provincial Advisory Board at the top of the system but it was later abolished. The system is supposed to be flexible enough to adjust to changing conditions. For instance, it is proposed to abolish nominations and make the union councils consist entirely of elected members.

13 · 11 The Works Programme

It was felt during the Second Plan period that a positive effort was necessary to improve conditions at the village level rather than to wait for the fruits of development to percolate to the village in due course of time. Basic Democracies appeared to be the best instrument for this task. To avoid injection of new purchasing power and thus promoting inflation, the programme was backed by supplies of food-stuffs under PL-480 programme.¹

The programme was first introduced in East Pakistan in 1962-63 after successful results obtained from a pilot project in Comilla Kotwali Thana undertaken in 1961 by the Director of the Academy for Rural Development located there. The first allocation was Rs. 100 millions (Rs. 10 crores) for 1962-63, which was increased to Rs. 200 millions for 1963-64 and Rs. 250 millions for 1964-65.

In the meantime in 1963-64 this programme was also introduced in West Pakistan with an allocation of Rs. 100 millions which was raised to Rs. 150 millions for 1964-65.

1. The United States Government makes available agricultural commodities (mainly foodgrains) to Pakistan (and some other countries) under the Public Law No. 480. These are sold in the local market for local currency (rupees in our case). This money is kept separately with the State Bank as "Counterpart Funds" and is used mainly for development purposes in consultation with U. S. Government. The works programme is being financed mainly from this source.

Since the pilot project at Comilla was undertaken and successfully completed by the Thana Council, in 1962-63, Headquarters in Thanas of fifty-four sub-divisions were given separate allocations and in 1963-64 all Thanas in East Pakistan were given separate allocations to undertake development work in rural areas.

Since 1963-64 schemes of every level are approved by the next higher council. After approval actual implementation of the projects is left to project committees formed for the purpose usually for each project. The Government releases funds in instalments to the project committees to give advances for implementation of the project.

Some difficulties have been experienced in the implementation of the projects mainly due to the shortage of technical staff and inadequate supply of materials. Even then good results were achieved in East Pakistan. Thus during 1963-64 in that Province 270 miles of *accha* roads, 392 bridges and culverts and 153 drainage schemes were constructed and repaired in the urban areas. In the rural areas 463 miles of *pucca* roads, 24,139 miles of *kutchha* roads, 785 miles of embankments, 5,058 bridges and culverts, 5,940 drainage canals were constructed and repaired. Moreover, 245 Thana Training and Development Centres, 2,066 Union Community Centres and 88 Coastal Community Centres were constructed during the same period.

In West Pakistan the works programme was started in 1963-64. Here also the funds were released in instalments and implementation was entrusted to project committees. The responsibility for implementation was placed in the Deputy Commissioner/Political Agent to whom the Provincial Government delegated all powers subject to conditions laid down in the works' manual. The district is thus the basic unit of administration in rural works programme in West Pakistan. Substantial powers, however, are transferred to the Tehsil Councils which in turn delegate them to the Union Councils. But the supervisory control remains with the Deputy Commissioner.

At the Provincial level the programme is the concern of Basic Democracies and the Local Government Department and an office of Director (Projects). Rural Works Programme has been created and attached to this Department. A high level committee deals with questions of policy and general supervision at the provincial level. Arrangements have been made for training and orientation courses in the Basic Democracies Institutes at Lala Musa and Tando Jam for

the successful implementation of the programme.

In West Pakistan the programme comprises a wide variety of works ranging from construction of metalled roads in the Punjab and *Karezes* (underground water channels) in Baluchistan.

During 1963-64, the first year of the programme in West Pakistan, 112 miles of metalled roads, 410 miles of treated roads, 2,810 miles of *kutch* roads, 1,500 miles of village tracks, 2,000 culverts and bridges and about 3,000 schools were constructed and repaired. Apart from these some projects relating to Health, Social Welfare and Housing were also executed.

The programme has been included as an integral part of the Third Five-Year Plan. It will form a separate sector and will concern mainly with the growth and development of the rural economy. An allocation of Rs. 2,500 millions has been provided (Rs. 1,500 millions for East Pakistan and Rs. 1,000 millions for West Pakistan). PL-480 will continue to finance the programme from which Rs. 1,000 millions will be available. The balance of Rs. 1,500 millions will be contributed from Government's own resources.

13 · 12 Assessment of Works Programme

The primary object of the programme is utilisation of surplus labour power in rural areas for constructive works at low cost. At the beginning of the Second Five-Year Plan 22% of labour force was surplus for which jobs were needed. In East Pakistan in dry winter months three-fourths of the farmers are unemployed or under-employed. Unemployment is also on the increase in the urban area. The works programme creates job opportunities where the people live. The average cost of employing a worker under it comes to only Rs. 600 as against Rs. 5,250 per head average for the Second Plan. Through this programme unemployment (including under-employment) fell from 22·4% in 1960-61 to 20·3% in 1963-64.

The programme, in the Second Plan, has extended the scope of development activity in the country in rural areas. Much useful construction has resulted in the form of roads, drainage works, irrigation channels, embankments which has increased productivity of the economies in the two wings.

Most important of all, it is an attempt at introducing planning from below involving multitude of people spread over remote areas.

The main problems have been lack of technical skills and

supervision and thus standards of completed projects leave much to be desired. One solution is to associate WAPDA and Public Works Department more closely with this programme. Greater supervision and wider publicity regarding allocation of funds is needed. Moreover, there is need for a comprehensive training programme to impart the necessary skills.

Non-availability of materials and other essential inputs has been another difficulty. It is necessary to make regular and adequate arrangements for the supply of essential materials. Further, it is as important to make arrangements for maintaining the projects after they have been completed as it is to construct them. It is, therefore, necessary to provide for such maintenance within the programme.

In conclusion we may add that the works programme has opened up opportunities to the local talent for leadership, organisation and administration. It has encouraged co-operation among the various Government departments concerned with planning and executing development programmes. It has direct impact on the life of the rural masses and has offered them opportunities for increasing their incomes. It has helped in the building up of the physical basis of our rural economy in the form of canals, roads, bridges, embankments. It has contributed to increased agricultural production and opened up new markets for the products of agriculture. It is an advance on the old V-AID programme because it supplies more resources supplementing self-help and has institutionalised the rural uplift effort.

13 · 13 Food and Agriculture Commission

In 1959 the Government of Pakistan appointed a Commission—the Food and Agriculture Commission—to examine ways and means of promoting agricultural development. The Commission submitted their Report in December 1960. The Report was examined by a Committee representing the various Central Ministries and Provincial Governments. The findings of the Committee were accepted by the Governors' Conference in March 1961. The main recommendations of the Commission are summarised below:

I. Agricultural Development Corporations. For each wing of the country there should be established an Agricultural Development Corporation with the following objectives:

- (1) Provision of adequate supplies such as seeds, fertilisers, plant-

protection materials and implements at Union level.

(2) Dissemination of knowledge of new scientific methods, new cropping patterns, mixed farming, better soil and water uses, co-operative marketing, warehousing, etc.

(3) Injection of more capital into agriculture and improvement of credit facilities.

(4) Organisation of small farms into agricultural blocks or co-operative farming societies.

Each Corporation should have two wings: (a) a supply wing handling distribution of supplies and (b) a field wing dealing with the rest of the work.

The Government have accepted these recommendations with some modifications.

II. *Agricultural Research.* The Commission felt that unless agricultural research was planned on a national basis and made a direct responsibility of the Central Government, research work in this field could not have an impact on agricultural production. They, therefore, recommended the establishment of an Agricultural Research Council of Pakistan and the abolition of the present Cotton and Jute Committees, besides the creation of a Research Division in the Ministry of Agriculture for organisation and co-ordination purposes. For applied research they recommended the strengthening of the Provincial Departments. These recommendations have been accepted by the Government in principle, but still remain to be implemented. The Government also decided that when the Agricultural Research Council came into being the Cotton and Jute Committees and the Tea Institute would be made subordinate bodies.

III. *Taxation.* The Commission was of the view that the existing system of land revenue under which taxation fluctuates with the cultivation of various crops is not conducive to more production. They, therefore, recommended its replacement by a fixed land-tax which may differ from zone to zone in accordance with the current agricultural potentialities. They also recommended that the levy of export duties on agricultural produce should be re-examined since they acted as a disincentive for more production. According to the decision of the Government, both these recommendations were submitted to a special committee for consideration.

IV. *Irrigation.* In this context the Commission recommended

as follows:

(i) Priority should be given to drainage and programmes of surface drainage should be implemented immediately.

(ii) Use of water per acre should be maximised and until this is achieved water of Indus Basin should not be further committed for new projects.

(iii) Ground water should be stored in large and small dams in order to increase its exploitation.

(iv) The present system of charging water rate should be substituted by a system under which charges are payable for the amount of water delivered at the water outlet and assessment of water rate ceases to be the responsibility of the Irrigation Department.

On these recommendations the following decisions have been taken by the Government:

(i) Drainage should receive priority though it should be left to the Provincial Government as to whether surface or sub-soil drainage should have first priority.

(ii) No new major commitment of Indus Basin water should be ordered.

(iii) The planned use of flood-water should be investigated urgently.

(iv) As a first step the proposed system of charging water rate should be tried in a few selected places, having varying conditions, on an experimental basis. The system should be extended to other areas if this experiment succeeds.

V. Co-operatives. The Commission observed that the present co-operative movement has failed to strike roots. They, therefore, recommended that the development of co-operatives both for marketing and for production should be entrusted to the proposed Agricultural Development Corporations. The Government, as already noted, decided to set up a Co-operative Development Board for promoting progress of co-operation.¹

13 · 14 Measures for Implementation

The Government accepted most of the recommendations of the

1. Taken from the "White Paper," Budget, 1961-62, Government of Pakistan, pp. 18-21. The Report of the Agricultural Commission is not available to the public yet.

Commission. Several measures have already been taken to implement them. In order to translate the Commission's ideas into practice, Agricultural Development Corporations have been set up in East and West Pakistan.

Their task is twofold: (i) they have to organise agricultural supplies to make them available in adequate quantities at the union level, through co-operatives wherever possible, and (ii) they have to develop projects in selected areas for intensive application of measures recommended enabling the farmers to change over to scientific agriculture and market economy.

In the project areas the Corporation has full powers over allied departments to provide a co-ordinated approach to the problems.

Agricultural research is also being reorganised through the establishment of co-ordinated institutes and an Agricultural Research Council. The idea is to investigate the cause of low yield and to suggest methods of increasing output.

As regards co-operatives, arrangements are being made to increase their utility and that of the Agricultural Development Bank.

Further, the Government have decided to continue the policy of subsidising fertilisers, partly subsidising seeds and continuing the present practice of offering plant-protection facilities. These measures are encouraging increased investment in agricultural production.

Another important step recently taken is the establishment of two Agricultural Universities, one in East Pakistan at Mymensingh and the other in West Pakistan at Lyallpur. They will provide trained staff and offer facilities to farmers for receiving training in advanced methods of cultivation.

Finally, a Model Scheme has been introduced for increasing agricultural production in East and West Pakistan. The basic aim of the scheme is to achieve better yields by:

- (i) increasing production from the land already under the plough through improved agricultural practices and efficient arrangements for the supply of fertilisers;
- (ii) bringing more land under cultivation with the help of pump irrigation; and
- (iii) adopting anti-salinity measures.

Under this scheme seven districts of West Pakistan and about

seven selected sub-divisions in five districts of East Pakistan have been selected for intensive cultivation.

The scheme was introduced in East Pakistan in July 1960 and in West Pakistan in November the same year. As a result agricultural production increased by 10% in West Pakistan (in spite of low wheat production due to drought) and 48% in selected sub-divisions of East Pakistan over the previous years' production. The scheme is being extended to more areas in both the wings.

CHAPTER 14

Land Revenue Systems and Policy

14 · 1 Introduction

Land Revenue as an important source of income of the State will receive our attention when we deal with Provincial Finance in the second volume of this book. Here we are concerned with the land revenue policy of the Government from the point of view of the burden of this charge on agriculture. This burden has been condemned and justified with equal force. The system of land revenue assessment, the methods of calculating the charge and the manner of its collection have all been attacked from time to time since long before Partition, in the Legislature, the press and from the platform. The indebtedness of the peasantry, their chronic poverty, even natural calamities like famines, were at one time attributed to this demand on the part of the Government. The reform of the system has always been stressed but there has been little consensus of opinion regarding the directions in which such reform should lie. In this chapter we shall first study the prevailing systems of land revenue in Pakistan in their historical perspective and then evaluate the various reforms that have been suggested from time to time in these systems.

14 · 2 Land Revenue System

The land revenue prevailing in Pakistan may be classified from two points of view:

(i) Whether the land revenue is fixed once for all, or whether it is revised periodically. The former is called the "Permanent

Settlement" and until recently prevailed in East Pakistan. The latter is called the "Temporary Settlement" and is in force in the rest of the country.

(ii) The second basis of classification is land tenure. We have already studied the various land tenure systems prevailing in Pakistan. Here the point is to see on whose shoulders is placed the responsibility of paying the revenue. Thus:

- (a) Under the Zamindari system it is the Zamindar who is made the owner of the land and hence is responsible for paying land revenue to the Government.
- (b) Under the *Mahalwari* system it is the *Mahal* or village community of land-proprietors who are individually and collectively responsible for the charge.
- (c) Under the *Ryotwari* system every holder is individually responsible for the payment of land revenue to the Government. The latter is regarded as the "owner" of land. "This distinctive feature of this system," in the words of the Taxation Enquiry Committee, "is that the settlement is made with the cultivating proprietor year by year and that he is at liberty to relinquish part of his holding, or, subject to conditions, to add to it taking up wastelands as opportunity arises."¹

But even in Ryotwari tenures middlemen have emerged by the practice of subletting and the land revenue in such cases is realised not from the actual cultivators but from the middlemen rent-receivers who were the original occupants.

The Zamindari system is found in all the Provinces of Pakistan with the difference that Zamindari with permanent settlement prevailed only in the Province of East Pakistan. The Mahalwari system is found mainly in the former Punjab and North-West Frontier Province. In former Sind the Ryotwari system is predominant. Historically, the Permanent Settlement under Zamindari preceded other revenue systems in the Indo-Pak sub-continent.

14·3 History of Permanent Settlement in the Indo-Pak Sub-continent

The Dewani (right to collect land revenue) of Bengal, Bihar and Orissa was conferred on the East India Company by the Emperor Shah Alam in 1765. The direct collection of land revenue, however,

1. Report, Indian Taxation Enquiry Committee (1924-25), p. 43.

did not begin until 1772. At that time about one-third of the Company's territories in India were wastelands overgrown with jungles. The Decennial Settlement made in 1790 failed to induce landlords to clear the jungles and to extend cultivation. In 1793, therefore, in order to provide incentive, Lord Cornwallis proclaimed (on 22nd March) that the Decennial Settlement would be regarded as permanent. The proclamation was included in the Statute Book as Regulation I of 1793.

The Settlement conferred on the Zamindars (and independent Talukdars) hereditary proprietary rights subject to the condition that they paid the fixed amount of revenue, which was fixed in cash in perpetuity. The rate fixed was 10/11th of the rents realised by the Zamindars at the time, 1/11th being left to the latter as their share. This charge had to be paid within the fixed time limit failing which the estate could be sold by auction.

It should be noted that the persons on whom the proprietary rights were conferred were never owners of those lands. They were originally officials of the Mughal rulers, who were revenue collectors on commission basis. They were mistaken for landlords in the English sense by Lord Cornwallis and his advisers who did not understand the conditions of the country.

The revenue charge fixed was fairly heavy at the time but later the value of land gradually rose due to increased security and higher prices and the charge became very light. This enabled the Zamindars to increase their rents, since no legal limitations were put on the enhancement of rents by the Regulation. On the other hand, subsequent Regulations (in 1794, 1799 and 1822) and later the Act of 1885 authorised the proprietors to increase their rents on certain grounds. The Zamindars' income increased with increased productivity of land, while the share of the State stood where it was fixed. In 1900, for instance, it was officially estimated that the land revenue paid to Government from permanently settled areas amounted to less than Rs. 4 crores, whilst rentals in the same area came to no less than Rs. 16½ crores.¹ More of this later.

Permanent Settlement was extended to some other areas of India too. Benares came under it in 1795 where also the Bengal model

1. Government of India's Resolution on Land Revenue Policy, p. 82.

was followed. The existence of joint landlord villages was ignored and the Government dealt with one of the chief co-sharers or some other prominent person on the basis of Permanent Settlement. In Madras also the same system was tried. It succeeded in the north of the Presidency, as it was called then, and also in some parts of the South, where individual landlords, descendants of former ruling chiefs, existed. But in the major portion of the Presidency there existed Ryotwari villages where no such intermediaries were available. Attempts were made to create substitutes by auction to the highest bidder. But the system failed miserably and had to be replaced by the Ryotwari system. Before, however, this system could be adopted, between one-fifth and one-third of the Presidency had already come under the Permanent Settlement. The system was also extended to parts of Bihar and U.P. (Oudh).

During the nineteenth century proposals were made from time to time to further extend the system of Permanent Settlement. But all such proposals were finally rejected in 1883. In the meantime, as the British rule extended, the revenue system adopted and land tenure recognised were according to local conditions. Where land was under occupation of high chiefs or landlords, the landlords' proprietary rights were recognised though the settlement of revenue was to be temporary. Where village communities were strong, the proprietary rights were vested in the village community, especially in the land which existed as the village common. Even where individual ownership in such communities existed, the ultimate ownership was regarded as of the community. Where the village community was not strong and specially where the cultivators were to be induced to occupy and cultivate land, the Ryotwari system was introduced in which each individual occupier contracted to pay revenue on the land occupied by him. The ultimate ownership of land was vested in the State. Thus it was that in the Indo-Pak Zamindari temporary settlement came to prevail in parts of the Punjab, U.P. and C.P. Mahalwari (village community) or temporary settlement was introduced in parts of the N.-W.F.P. and U.P. and Ryotwari (temporary settlement) in Bombay, Sind, Madras, Assam and C.P.

During the nineteenth century, as we have already said, proposals were made again and again to induce the Government to introduce permanent settlement all over India. Even as late as the end of the

century in 1900, R.C. Dutt (the well-known Economic Historian of India), in his "Open Letter to Lord Curzon," criticised the land revenue policy of the Government, attributing the dreadful consequences of the famines at the close of the century to this policy. Dutt favoured the Permanent Settlement to which he attributed the prosperity and resourcefulness of Bengal peasantry. Along with certain retired European members of the Indian Civil Service, Dutt also presented a memorial to the Secretary of State. His "Open Letter" led to the issue in 1902 of the famous memorandum of the Government of India in which their land revenue policy was outlined and defended. The issue of Permanent Settlement ceased to be a live issue for some time though its supporters have always existed. In 1924-25, for instance, a number of witnesses favoured it before the Bombay Land Revenue Assessment Committee.

Later, three important members of the Bengal Land Revenue Commission (1938-40) in a Minute of Dissent argued in favour of the Permanent Settlement, though the majority of the Commission recommended its abolition.

The Commission favoured the replacement of the system by a Ryotwari system and added: "Whatever may have been the justification of the Permanent Settlement in 1793, it is no longer suited to the conditions of the present time. A majority of the Commission have also come to the conclusion that the Zamindari system has developed so many defects that it has ceased to serve any national interest. No half-measures will satisfactorily remedy its defects. Provided that a practicable scheme can be devised to acquire the interests of the classes of rent-receivers on reasonable terms, the policy should be to aim at bringing the actual cultivators into the position of "tenants holding directly under Government."

The Report of the Land Revenue Commission recommending the abolition of Zamindari and Permanent Settlement was issued in 1940. It was examined by a special officer appointed for the purpose, but on account of the war no action was taken at the time. The consequences of the war and the famine of 1943 made the plight of the peasantry unbearable and impressed upon the Government the necessity of taking measures to reform the outmoded land system of the Province. The Bengal Land Acquisition and Tenancy Bill was introduced in the Provincial Assembly but before it could be passed

came the Partition.

After the Partition, in 1948 the Pakistan Province of East Bengal (now East Pakistan) framed a new Bill—the East Bengal State Acquisition and Tenancy Bill—which was passed by the Assembly on 15th February, 1950, and received the Governor's assent in 1951.

We have already discussed the main provisions of this Act in our chapter on Land Tenure. From the point of view of land revenue its significance was that it terminated Permanent Settlement. It also necessitated the preparing of land records which is a condition precedent for a sound land revenue system. But since it nationalised the land the charge of the State was no longer "land revenue;" it was rent. Provisions were made in the Act for the cultivation of rent and its charge. But it was a charge for the ownership of land on the part of the State which took the place of the old Zamindars.

The First Five-Year Plan, however, recommended that the ownership right should be conferred on the cultivator and the rent charged by the State be replaced by land revenue as in West Pakistan. This recommendation was not adopted on the ground that if the tenants became land-owners the income of the Government would be curtailed, since the rate of land revenue would not be as high as the rent charged. The only possible increase in the income of the Government would come from the payment of *Salami* (the price of land) for ownership. But, as suggested by the Second Plan, "this argument is justified only on the assumption that the upward revision of land revenue is not possible."¹ Actually the question of enhancement of land revenue is already under consideration by the Government. The Second Plan has repeated the recommendation of the First Plan that full ownership rights be conferred on the cultivators. We endorse this view.

14 · 4 Temporary Settlement

Temporary settlements in pre-Partition India were not of a uniform character. The difference arose due to:

- (a) The character of the tenure of the person from whom the charge was collected.
- (b) Differences in the period of the settlement.
- (c) Differences in the method of calculating the charge.

1. *Second Plan*, op. cit., p. 191.

We have already explained (a) under section 14·2 above.

As regards the period of settlement, it varied from twenty to forty years in the Indo-Pak sub-continent. In C.P., it was from twenty to thirty years; in Berar, from twenty-five to thirty years; in Madras and temporarily settled areas of Bengal it was thirty years. In the Punjab, it was forty years. Roughly, the period was thirty years in Ryotwari areas and forty years in the Zamindari and Mahalwari areas.

The "net assets of an estate, or a group of estates, means the estimated average annual surplus produce of such estate or group of estates remaining after deductions of the ordinary expenses of cultivation as ascertained or estimated."¹

The "net assets" may be estimated on "the basis of recorded rentals" as in the Punjab or empirically on the "subjective impressions" of the Settlement Officer as in Bombay which system was also followed in Sind though later modified. More of this later.

As to the maximum proportion of the net assets or the rental value, charged as land revenue, again differences prevailed. Historically speaking, the percentage appropriated in the various Provinces was much less than in the early years of the British rule. Early in the nineteenth century the demand of the State was limited to two-third of net assets. "About the middle of the century," in the words of the well-known Government of India Resolution on Land Revenue Policy (1902), "i.e. before the Mutiny, the question of the relative share of the State and the landlord in net produce of the soil came again under careful view in Northern India, and the result of this further consideration of the matter was embodied in what are known as the Saharanpur Rules. The Settlement Rules previously in force authorised the demand of the money value of two-third of the net produce of an estate as the Government share in respect of land revenue. The Saharanpur Rules, issued in 1855, laid down that in taking the net average assets with other data into consideration the Collector will bear in mind that about one-half and not two-third as heretofore of the well-ascertained net assets should be the Government demand."

Now, as to the actual practice prevailing at present in Pakistan,

1. Section 38 of Land Revenue Act XVII of 1887, as amended by the Punjab Act III of 1926.

in the temporarily settled areas of East Pakistan the principle is to leave 30% of the net assets to the landlord and to take 70% as land revenue.¹ In some cases higher allowances are paid to the landlord and the State demand is correspondingly reduced. In the former Sind areas, the practice is to charge 33½% of the net assets though the standard fixed was 40% after the construction of the Lloyd Barrage.² In the former Punjab up till 1928 it was 50%, but since then it has been fixed at 25%. In practice it rarely reached 20% of the net assets.³ The practice in the former N.-W.F.P. is the same as in the Punjab. Thus the most usual practice is to charge from one-quarter to one-third of the net assets except in East Pakistan where the percentage charged is much higher; in fact, it is too high.

14 · 5 The Incidence of Land Revenue

Is the land revenue burden excessive? It has been argued that the burden is far from very heavy. Historically, the charge is considerably less now than it was either under the Hindu or the Muslim rulers. Thus Manu took from a twelfth to a sixth of the *gross* product and in "times of war or other public calamity" as much as a fourth.⁴ The share was more under the Muslims but finally stood at a third of the gross produce under Akbar. The Sikhs in the Punjab took one-half and sometimes even more. As a rule the demand under the Sikhs varied from two-fifth to one-third of the *gross* produce. It was in 1860 that the British fixed the maximum demand at one-half of the *net assets*, though actually it came to less than 30% of the rental. Measured in terms of gross produce the average charged for three years ending 1936-37 was only 6·7%. "If we were to take the last three pre-depression years," wrote the Punjab Revenue Committee (1938), "the proportion would probably be less than 5%. Compare with this the 33½% to 40% taken by Sikhs a hundred years ago."⁵

It was contended by the supporters of the prevailing land revenue system before World War II that the burden of land revenue per

1. Khan Bahadur Mohammad Mahmud, *Pak Economic Journal*, August 1950, p. 49.

2. A.H. Yusufzai, "Land Tenure in Sind," *Pak Economic Journal*, August 1950, p. 107.

3. Punjab Land Revenue Committee, Report, 1938, p. 2 (Table).

4. Taxation Enquiry Committee, Report (1924-25), p. 39.

5. Report, L. R. C., op cit., p. 11.

acre as well as per head of the population was extremely low and that, compared to what it used to be in pre-British times, it was insignificant. The average for the Punjab per cultivated acre was only Rs. 1.9-2 for three years ending 1938-39 and per head of population for 1939 it was less than Rs. 2 in Bombay and Madras and less than Re. 1 in Bengal. Further, it was asserted that even if this burden were abolished, the benefit would go to the rent-receivers and not to the actual cultivators. Moreover, it was suggested that the prosperity of the cultivators had increased under the British rule while the tax burden had been reduced. And, finally, that the land revenue, being a rent and not a tax, did not enter into the cost of production and hence did not affect the prosperity of the cultivator.

Whether land revenue was a rent or a tax was a lively controversy for a long time and we shall discuss it, though its interest is only academic. As regards the other arguments, these could have been met in the following manner.

(i) Under the Hindu and the Muslim rulers the land revenue was fixed and collected in kind; therefore, its burden varied with the capacity of the assessee to pay. At present, even though remissions and suspensions are granted, the charge being fixed in cash, it becomes very oppressive when prices are low. The amount and methods of collection now are much more rigid than they used to be under the Indian rulers.

(ii) The pressure on land considerably increased during the British period due to increase in population and decay of handicrafts. Even after a high percentage of gross produce was taken away by Indian rulers the total produce per family being larger, the residue was enough to maintain them in their customary comforts. Now, the land per family is very small and hence their total produce is hardly enough to maintain them for the year. Even a small portion of this small produce may impose painful burden on the family resources.

(iii) Even if we accept the proposition that the present burden is lighter than it used to be several hundred years ago, it does not justify the present burden if it is an unjust burden. We must not apply the sixteenth-century standard of justice when we are living in the twentieth century. A revolution has occurred since the Mughal

times in the conception of Government and the relations of the rulers and the ruled. We must judge the justice of the land revenue on its merits, according to modern theories of taxation.

(iv) To say that the benefit of abolition will go only to the rent-receivers will hardly stand examination. Many land revenue payers are peasant-proprietors; they will be directly and immediately benefited from any reduction or abolition of this charge. As regards the big absentee landlords, the burden is too light rather than too heavy in their case. They should pay higher amounts not as land revenue but as agricultural income-tax.

(v) As regards the increase in the prosperity of cultivators, this is not a definitely established fact. Opinions differed whether the average cultivator during the British period enjoyed a more wholesome food, clothing and health than he used to do in centuries gone by. Even if his poverty had decreased (we can hardly talk in terms of prosperity), that was no justification for putting a burden on him for which his economic capacity did not befit him. Did the classes who had really prospered under the British rule pay their quota in a similar proportion?

(vi) The real reason why relief was denied to the peasant-cultivator was that even if uneconomic holdings were exempted from land revenue, the effect on Government finances would have been so disastrous as to preclude all reforms in this direction. We shall come to this point later.

14 · 6 Tax or Rent

Whether the land revenue is a tax or a rent was a controversy of long standing, but with little practical bearing on matters of policy. Baden-Powell called it a "war of words." Even if we agree that the State in Pakistan (and India) is the universal landlord and hence the land revenue is a rent, this does not justify the imposition of this charge without reference to the people. Even a landlord, if he is enlightened, may exempt uneconomic holdings from rent. When the landlord is also the State, the welfare of the subjects, and not any theoretical right to the imposition, should be its primary consideration. If the small holder requires relief, he must get it whether the payment he is making as land revenue is theoretically regarded as a tax or a rent.

But as it is, certain exceptions apart, the State in Pakistan (and

India) does not claim the right to the ownership of land. Referring to pre-Partition India, Baden-Powell pointed out that with regard to the Zamindari districts of Bengal, North Madras, and Oudh and the joint village districts of the United Provinces and the Punjab, the British Government had definitely stated that property right in the soil "has been declared vested in the land-holders" and any reservations made, in the latter areas, referred not to State rights but to the "rights of subordinate holders and tenants." In Ryotwari districts the State had a "residuary right" with regard to vacated and wasteland, but had no power to eject a cultivator "except as a result of process in default of revenue payment." Hence," he concluded, "the 'recognised ownership' of Government does not exist at all in a large part of India, and in other parts only in a very qualified manner."¹

But even then we cannot categorically say that land revenue is not a rent but a tax. This charge contains features of a tax as well as rent. Since it is a compulsory levy of the State periodically collected, it resembles a tax. But since almost² all lands have to pay it and it has no element of progression, and in some provinces it is in addition to a tax on agricultural incomes (leviable also in others), one might think it is a rent. "Perhaps it would be nearest to say," remarks Vera Anstey, "that it is tax on rent, and that as a large proportion of the actual cultivators in India are in a sense 'land-owners,' there is no doubt that the Government is receiving as revenue an income that would otherwise go into their pockets."³

14 · 7 Lines of Land Revenue Reform

So far as the reforming of the present system is concerned, as already said, whether the land revenue is a tax or a rent is a matter of no consequence. Various kinds of suggestions have been made to improve the present system. Usually three objects are kept in view in this connection: (i) relief to the holders of very small holdings; (ii) more equitable distribution of the burden of taxation as between the larger land revenue payers and payers of other forms of taxes; (iii) uniformity of incidence in different areas.

The various suggestions for reform may be indicated as under:

1. Quoted by V. Anstey, *op. cit.*, p. 376.
2. Some lands were revenue-free grants.
3. V. Anstey, *op. cit.*, p. 376.

(1) Some suggest the abolition of the land revenue as such and substitution in its place of an income-tax on incomes derived from agriculture.

(2) Others would like to apply the principles of income-tax to land revenue, i.e. exemption of small holdings and imposition of a graduated rate on larger ones.

(3) Some writers expose the defects of the manner in which net assets are calculated, especially in the former Punjab, and would like to make this estimate more scientific.

(4) Bringing into existence a uniform system of land revenue in West Pakistan. This need has arisen more recently since integration.

14·8 Relief to the Small Holders

One school of thought suggests the entire abolition of the land revenue charge and substitution in its place of an income-tax on agricultural incomes. Of course, agricultural income-tax can be introduced for larger owners without abolition of the land revenue as was done in the former Punjab and elsewhere. The abolition of land revenue aims primarily at relieving the small holder of the burden of this payment. In this connection, therefore, several questions have to be carefully considered before any decision can be taken:

(i) Is it desirable and justifiable on political, economic and ethical grounds that the small holder should be entirely freed from making any direct contributions to the revenue of the State?

(ii) If he is given this relief, how far will it make a significant improvement in his standard of living or methods of production?

(iii) What will be the extent of the financial loss to the Government? Could this loss be made up by alternative sources? If not, what are likely to be the consequences of this curtailed Government expenditure on the welfare of the people—including the exempted small holders?

(i) The land revenue assessment and collection no doubt necessitate the keeping of records of land, its produce and property rights, etc., and these records are of great value to the administrator and the economist. Politically, land revenue payment was linked with the voting right though now adult suffrage has been introduced. But these are only incidental advantages. The system must be justified on more fundamental grounds. The Punjab Land Revenue Act of 1938 drew attention to the ethical and social aspects,

The land-owner, especially in the Punjab (they held), enjoys special privileges¹ and protection given by the State. Hence he should make some contribution to the State treasury by virtue of his being a land-holder. One witness asserted before the Punjab L. R. Committee that the small holder would not like being exempted from the land revenue charge which enhances his self-importance, dignity and *Izzat*.² This appears very doubtful. Small holders will jump at the idea of exemption. As regards the "privileges," the protection given by the State to a class, liable to be exploited by the still more privileged classes, cannot be put forward as a justification for imposing a tax on the former, if they have no capacity to bear this burden and if other classes are not taxed to the same degree of burden.

Regarding (ii), Mr. Anstey expressed the view that "judging from past experience, it appears likely that part of the increased income would be squandered on increased expenditure on ceremonies, and that the rest of it would be swallowed up by an increase of population, rather than in any improvement in the standard of life or methods of cultivation."³ This, again, is a very unconvincing argument. Does the Government, while considering taxes on other classes of population, probe into the way the money would be spent if the tax is reduced or abolished? Certain social ceremonies are as important to the poor cultivator as are various kinds of recreations and social expenditures to the better-placed classes. Of course, the poorer sections should be instructed as to the manner in which they can get the best advantage from their small incomes. This should be done by extending educational facilities, not by taking away a part of their

1. "The land of these agriculturists cannot be sold in execution of a money decree or mortgaged to a non-agriculturist for more than twenty years. A land-owner cannot be evicted by a Civil Court without the intervention of the revenue authority, and he is entitled to retain enough land for the maintenance of himself and his family. His plough, cattle, implements and seed cannot be attached. If he is sued and his interest charges exceed certain statutory limits, they can be reduced. The burden of proving that consideration has passed is on the money-lender, nor can a decree be passed against him for more than twice the principal. When he dies his ancestral land is not liable for the payment of his debts unless charged upon it. Finally under an Act of 1934 Conciliation Boards are being set up all over the Province to settle his debts." Report, p. 74.

2. Report, op. cit., p. 38.

3. V. Anstey, op. cit., p. 337.

meagre incomes in the form of a tax.

Finally (iii) we come to the financial considerations. The main reason on the basis of which the Punjab Land Revenue Committee of 1938 rejected this suggestion was that if land revenue were to be abolished (and an income-tax imposed on agricultural incomes) the revenue of the Government would be seriously curtailed. The Committee estimated that if those who paid less than Rs. 500 (with the assets of Rs. 2,000—the income-tax exemption limit in those days) were exempted, the total “land revenue will be reduced from Rs. 4½ crores to Rs. 39 to 40 lakhs.”¹ Even if incomes up to Rs. 250 were exempted, the Committee estimated the loss at over Rs. 2½ crores. In terms of land revenue if only those who paid Rs. 10 a year or less were to be exempted, the loss would have been Rs. 78·6 lakhs. Thus in their view while Rs. 10 a year would make no significant change in the economic position of the small holder, it would create a serious gap in the finances of the Government and would curtail useful activities of the Government unless this gap could be made up from other sources. In the words of the Committee, “the amount of revenue that can be raised from the better-to-do classes is not very large and the process commonly known as ‘soaking the rich’ which is fruitful enough in a wealthy country like England had limited scope in this country. The only method for raising any considerable sum was to spread the fiscal net over the whole community by levying a small sum on as many people as possible.”²

This controversy died down soon after the publication of the Report of the Committee of 1938, due to World War II. From 1941 onwards the prices of all commodities, including agricultural commodities, began to rise and improved the position of the agriculturists, particularly those who had some surplus to sell. The war created its own problems and in about two years after the end of the war came the Partition, which created further problems of great magnitude. Since 1947 prices have risen still further, in fact to an inflationary extent. The general impression now is that agriculture is very paying and the agriculturist hardly needs any relief. Moreover, while land revenue has not increased to any significant degree the income of

1. Report, *op. cit.*, p. 72.

2. *Ibid.*, p. 73.

the agriculturist has risen manifold. The land revenue of the pre-Partition Punjab was about Rs. 5 crores, and the total revenue of the Province being Rs. 15 crores before World War II, it formed 33% of the total Provincial revenue. At present the total revenue of the Province of West Pakistan is about Rs. 150 crores in which the contribution of land revenue is about Rs. 10 crores. Thus the percentage of land revenue has fallen from about 33% to about 7%. Therefore, the financial implications of exempting small holders are not so serious now as a quarter of a century back.

It should be remembered that the so-called current prosperity of agriculture is not shared in the same proportion by all the classes of agriculturists. A large number of small holders have hardly any surplus to sell. In the meantime the population has grown and the number of such holders has increased. The case for giving relief to the small holders, therefore, is quite strong even now.

We do not recommend the abolition of land revenue and in its place the substitution of an agricultural income-tax with the same exemption limits as ordinary income-tax. Incomes from land may be put on a different footing considering certain special advantages that its ownership confers on the holders. We only recommend exemption of areas below a specified limit from the land revenue charge.

One objection against such exemption was that it would encourage further sub-division of holdings. The objection is not valid now in view of the limitation put on the process of sub-division by the new land reforms. In fact, the land revenue policy of the Government can be used as a lever for the object of reducing, if not eliminating, uneconomic units of farming. The policy of the present Government is to encourage joint farming by those whose individual holdings are too small to be economically operated upon. It may be worthwhile for the Government to exempt all holders below a specified area limit from the payment of land revenue provided they cultivate those areas jointly with others so as to make the total jointly cultivated area at least equal to a specified amount of land. The following suggestions are put forward in this connection for consideration of the Government.

Owners of subsistence holdings, or below subsistence holdings,

as defined by the West Pakistan Land Reform Commission, may be exempted from the payment of land revenue provided they agree to carry on joint cultivation in co-operation with other similar owners in such a way that the total area thus brought under one unit of cultivation becomes equal to an economic holding as defined by the same Commission. As we have already noted, a subsistence holding is defined by the L.R. Commission as an area of from $12\frac{1}{2}$ acres to 16 acres and an economic holding from 50 to 64 acres. This will be a good method of giving relief to small holders and at the same time it will increase agricultural production by bringing the agricultural unit to a size which can be more efficiently handled. Any loss of revenue will thus be, at least partly, covered by greater production.

So far the small holders. The land revenue burden on the larger holders has become extremely light due to the high prices of agricultural products. There is no prospect for the prices to come down in the foreseeable future. It is, therefore, necessary in the first place to bring about an increase in the land revenue charge. Taking the price of foodgrains like wheat, for instance, which is much less subject to price fluctuations on account of international forces, it has risen at least eight to nine times during the last thirty years. Therefore, if the land revenue is raised, say, four times compared to its level thirty years ago, it will not involve hardship to the payers. The best method will be to increase it in a progressive way. There should be a basic rate and there should be a surcharge on it. The rate of the surcharge should increase with the increase in the total charge as calculated on the basis of what may be called the "standard rate." A sliding scale of the following pattern may be suggested merely for illustrative purposes:

Table No. 34

Slabs of Basic Rates Rs.	Surcharge %
Up to Rs. 100	Nil
101-250	5%
251-1,000	10%
1,001-1,500	15%
1,501-2,500	20%
2,501-5,000	30%
Above Rs. 5,000	40%

14 · 9 Definition of Net Assets

Another attack on the land revenue policy of the Government, especially in the former Punjab, relates to the methods of arriving at the net assets. We have already seen how net assets in the former Punjab area are estimated. They are net assets of the landlord. Professor Brij Narain contended, when the matter was under consideration by the Punjab L.R. Committee of 1938, that these net assets were not the true net assets when applied to the owner-cultivator. In the words of Professor Brij Narain, "The non-cultivating landlord is able to exploit the tenant because of the constantly growing pressure of population on the soil. Land is scarce relatively to demand, and there are no alternative means of earning a livelihood for the tenant class. Under such conditions it is not surprising that the landlords' share should contain a large element of loot."¹ He recommended that net assets should be calculated directly and account should be taken of all the items of costs including fair wages for the cultivator and his family workers. If adequate wages were assumed for the cultivator and his family working on the farm, he contended, the net assets would be about 32% less and revenue demand less than half per acre than what it was in Lyallpur. The Committee did not agree with this view and quoted alternative figures which the Professor asserted were "cooked" not real figures. The old system of calculating net assets in the former Punjab was allowed to continue. There is, however, still a case for revising the method of calculating net assets. All costs of production including a fair wage to the workers must be allowed before the net figure is arrived at. This could be decided on the basis of sample surveys.

14 · 10 The Sliding-scale System

So far we have considered the method of arriving at the net assets out of which a specified proportion was to be taken to determine the standard land revenue rate for the whole assessment circle. This was done at the time of the settlement. But conditions may change during the period between two settlements through abnormal rises or falls in prices. In the settlement of Lyallpur Tehsil in 1935 a system of relief was introduced for the land revenue payers in case prices of

1. Brij Narain, *Land Revenue Reform in the Punjab*, issued by the Institute of Agrarian Reform, p. 10.

agricultural commodities fell seriously as they had done about that time due to the Great Depression. The system is known as the Sliding-scale System and was extended to other areas in subsequent settlements.

The object of the new system was "to enable the Government to pitch its demand high enough, to take into account the possibility of prices rising to the average level of the last twenty or thirty years, and meanwhile to adjust this demand at each harvest to current prices."¹

According to the old system, the standard rates did not change during the period from one settlement to another; of course, remissions and relief could be given according to the character of crops. The great fall in prices after 1930 necessitated this new system. The main features of this system were thus described by a communique of the Government:

(1) The commutation prices proposed to be fixed by Government have been worked out, in accordance with the revenue law, on the average of twenty years.

(2) Average revenue rates will be worked out according to those prices and will determine the average rate for the assessment circle as a whole.

Within the assessment circle the revenue rates will vary, as at present, in accordance with the class of land and other factors. They will in some cases be higher than the average rate. In other cases they will be lower.

(3) The revenue rates as finally announced for a particular square will represent the maximum which Government can take in any circumstances during the period of forty years.

(4) Government will not take these maxima rates unless the general level of prices is at least as high as that represented by the prices given in the Schedule attached.²

(5) If in any year the general level is higher than that represented by the Schedule, the revenue payers will be given full advantage of the excess.

(6) If in any year the general level of prices is lower than that

1. L. R. Committee, Report, op. cit., p. 40.

2. Commutation prices based on twenty years' average before the settlement,

represented by the Schedule, a remission in the revenue rates will be given the following year proportionate to the difference.

Thus, while the Government was "bound not to exceed the maximum rate as fixed" they would "give to the revenue payer the full benefit of the fall in price, however great that may be."

To calculate the amount of remission to be given, three factors are taken into account:

- (a) The percentage of the total matured area under each important crop.
- (b) The average yield per acre of those crops.
- (c) The commutation price assumed for each of those crops.

"By multiplying these figures together," continues the communique, "the Government will obtain an index figure. They will then calculate a corresponding index figure for the year previous to that for which remissions are to be given. Unless there are exceptional reasons to the contrary, it will be assumed that the percentage of crops remains constant and that the average yield per acre is also constant." They will, however, take the average prices current during the marketing season of the preceding two harvests in specified markets of the districts during specified months. "We will suppose that the standard index figure is 1,000 and that the index figure according to the new prices is 600. The remission given then will be 40%. Each year, a new index will be calculated and that amount of remission will depend on the level of prices during previous years."¹

The sliding-scale system was introduced in Sind in 1938 on an experimental scale. It proved very successful and was extended to cover the cultivation of wheat, rice and cotton.

The strongest critic of the sliding-scale system was Professor Brij Narain. He raised two objections against it:

- (i) "That the system has taken no account of the cost of cultivation."
- (ii) That it is based not on real but "theoretical or paper net assets."

"When prices fall heavily," wrote Professor Brij Narain, "and costs less heavily, it is possible that net assets may wholly vanish.

But the sliding-scale assumes that the Zamindar always enjoys net assets, provided that fall in prices is not 100 per cent.”¹

Professor Brij Narian, therefore, recommended that “remissions should be granted according to the fall in net assets, not merely according to the difference between commutation and actual prices.”²

The Punjab Land Revenue Committee recognised this defect of the system. They agreed that in a period of falling prices any remission given in proportion to the fall in an owner-cultivator's gross income would not be in proportion to the fall in his net income. “But when prices start rising again,” they added, “the reverse process sets in and, in time, it may be supposed, the two tendencies neutralise each other.”³

The recent enormous rise in prices seems to have vindicated this view of the Committee.

The second objection taken by Professor Brij Narain was that the standard land revenue rates under this system are based on prices twenty years back which were mere paper prices. “There is little or no hope of a rise of prices equal to the commutation level,” wrote Professor Brij Narain. “The structure of world supply and world demand in regard to agricultural products has fundamentally altered. Why should not future assessments be based on current prices, which are more normal than the absurdly high average prices of 1914-1929?”⁴ He, therefore, recommended that assessment should be made on “actual as distinct from prospective assets.”⁵

Referring to Professor Brij Narain's contention in his evidence that there was no possibility of a period of high prices returning during the next forty years, the Land Revenue Committee added: “This assumes a prescience to which we at least can lay no claim, and ignores the unhappy possibility of war, which might greatly inflate the prices of such commodities as wheat and cotton.”⁶ And so it did happen.

1. Brij Narain, *India Before and Since the Crisis*, Vol. II, p. 611.

2. *Ibid.*, p. 617.

3. Report, op. cit., p. 51.

4. Brij Narain, op. cit., Vol. II, p. 614.

5. *Ibid.*, p. 617.

Report, op. cit., p. 66.

Land Revenue

Thus, while the cotton in the Lyallpur Tehsil Settlement of the war years sold at Rs. 18 or even more per maund, the Government has realised the over-assessment.

14 · 11 The Present Position

There are at present two systems of land revenue in Pakistan, namely, the Punjab system, which is in vogue in the N.-W.F.P., Bahawalpur and Ferozepur, and the Ferozepur system. The revenue is assessed separately for water rates and agricultural land. The basis of assessment is the net area of an assessment circle. The Government takes 25% of the net assets of the assessment circle. The Punjab system is both fixed and fluctuating, which is prevalent in areas like Ferozepur and Nasirabad sub-division. The assessment includes water rates is levied on the basis of the number of crops. The number according to crop is primarily calculated at one rupee per acre. Moreover, under this system, the assessment in respect of cotton, wheat and sugarcane is fixed, while in respect of other crops it is fluctuating.

Recently, the Advisory Board has approved the proposal for the unification of the systems of land revenue in the Province. In this connection, it is suggested that the assessment of land revenue should be uniform throughout the Province on the basis of the Punjab system and it should be introduced in certain parts of the Province. The Government has decided that separate agencies should be set up throughout the Province on the existing lines of the former Punjab system; and that there should be a fluctuating assessment of land revenue on the basis of the cultivated area in accordance with the sliding-scale system. In the case of non-irrigated areas where there is fixed assessment at present, it is not necessary

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to alter it to the fluctuating assessment.

It has been further decided that land revenue should be calculated on 25% net assets formula on the former Punjab pattern, that the unit of assessment should be an assessment circle which means a group of revenue estates which are sufficiently homogeneous to admit of a common set of assessment rates, that there should be an upper ceiling but no lower limit for purposes of enhancement or remission of land revenue as under the sliding-scale formula. It has also been decided that the period of reassessment should be fixed at twenty years and that there should be no legal restriction, as at present provided under the Punjab Land Revenue Act, to the enhancement of land revenue at the time of reassessment in relation to the previous rate of assessment.

These decisions were forwarded to the Commissioners to obtain the views of the Deputy Commissioners and leading landlords and cultivators of respective divisions, for further consideration by the Advisory Council. They were then considered by a committee which has recently reported. It is expected that legislation on the lines of recommendations of this committee will be introduced in the next session of the Provincial Assembly starting in June 1966.

The End

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